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CREDIT

and FINANCIAL MANAGEMENT

Vol. 33, No. 10

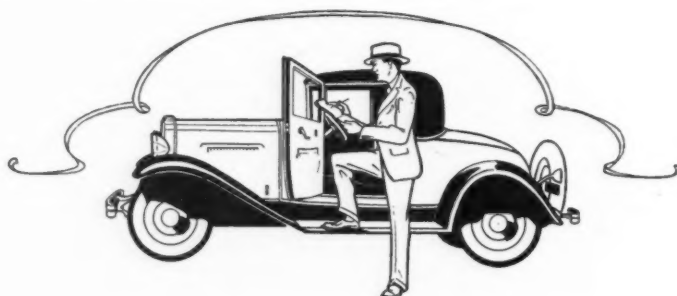
OCTOBER, 1931

Established 1898

? Curb Short Selling ?	-	-	-	-	-	-	William S. Muller
Debt: The Vicious Vortex	-	-	-	-	-	-	Bradford B. Smith
You Can't Keep a Good Country Down	-	-	-	-	-	-	Henry H. Heimann
Credit Calculus	-	-	-	-	-	-	Harry G. Romig
Liquid Conditions Demand Liquid Reserves	-	-	-	-	-	-	P. C. Rider



THE INSPECTOR HAS LIVING IDEALS



THE Hooper-Holmes Bureau is chiefly people. There are fifty-seven offices, a heavy investment in office space and equipment, fleets of automobiles and a great inventory of general supplies. But what makes these dead things live is the organization; the skill and the ideals of the people who perform the service.

The making of Inspection Reports carries with it grave responsibility; a responsibility which can be sustained only by ideals. It would be easy to turn out a slipshod report, based on file information or a few telephone inquiries. It is difficult

to compile an adequate report resulting from capable personalized inspection. But this organization, at the outset, chose the difficult and more valuable method and has perfected an unparalleled inspection technique. It was ideals which dictated the original choice; it is ideals which inspires continual enlargement and refinement of the service.

And what has been the reward? Nearly every outstanding industry on this continent is represented on the books of this organization. All recognize the merit of our

policy. Flexible service and a finished job are what we offer. Flexible service and a finished job are what we sell—to important new customers every day. It would appear that high ideals do more than give satisfaction. It seems that they pay.

The nationwide facilities of The Hooper-Holmes Bureau are devoted to the compiling of Moral Hazard Inspection Reports for insurance underwriting, credit, commercial and employment purposes and Claim Reports. Address inquiries to 102 Maiden Lane, New York.

★ THE HOOPER-HOLMES BUREAU, Inc. ★



WORD PICTURES

Number 7

Several year ago I was anxious to give Mrs. Whiteside a present as a surprise for her birthday, so I took a photograph of our daughter and of a niece to a miniature painter. I told him that I could not bring the children in because they would not be able to keep the secret but that I could tell him the exact color and shade of their hair and of their eyes.

He had the photographs reproduced on ivory and painted them from the description which I gave him.

I described both of the children as best I could, and the picture of our niece was an exact likeness, but the picture of our daughter did not resemble her in the slightest.

The color of her hair and of her eyes in the miniature was off shade, which changed her whole expression, to us at any rate, and taking it altogether, the picture was extremely disappointing.

When I went back to the artist, I asked him why one was such an excellent miniature, when the other one was such a poor likeness. He brought out the memorandum which he had made when I described the children. It said that the niece had very dark brown, almost black hair with very dark brown eyes and rather high coloring.

Our daughter had, as I described it, brown hair, and I had pointed out someone in the studio whose hair I thought resembled hers, and hazel eyes.

He told me that it was practically impossible to interpret shades or degrees of color from description, but that it would be hard to go wrong in painting very dark or black hair or hair that was distinctly white—in fact any definite color. He emphatically emphasized that no one could convey to another the exact coloring in the grays, the auburns, the browns and the intermediate shades.

If it is difficult for a layman to convey in words the color of the hair of one of his own family to an artist imagine the difficulties that arise when a Credit Reporter attempts to convey in words the picture or give, in a report of moderate length, individuality to every single concern of the thousands upon thousands of those in each important division of the Retail Trade.

It is not difficult, as every Creditman knows, to describe the progressive up-to-date, live wire concern that is making definite headway, nor does it require very great descriptive power or analyzation ability to reflect in a report the condition of a concern that is absolutely on its last legs, after it has given consistent evidence of slovenly management and a total lack of knowledge of the fundamentals of business for several seasons.

The efforts to-day of an important percentage of the entire personnel of the Dun Organization are concentrated on working out the factors which are required, and the expressions which should be used in conveying to its clientele the distinctive features of a favorable or of an unfavorable nature on each shaded case under investigation, and in particular on those concerns in that major numerical division of all sellers to the consumer which have \$20,000 or less capital, for Creditmen must know the distinguishing factors of each of these accounts.

90.4% of all commercial concerns in the United States are Retailers.

Every Creditman must be able to visualize from the description given, either the trend which a concern is following toward a stronger position or be able to detect from the details in the report the degree of disintegration that may be taking place with any of their customers or of prospective purchasers.

While work of this nature will require time to develop to the highest degree of efficiency, steps are now being taken through research and analysis, to make Dun reports on small concerns peculiarly valuable to the Credit Community.

It is a study that is absorbing the full mentality of men drawn from the actual reporting field who have the type of mind required for work of this nature, and who are now specializing in bringing out the essential factors necessary to cover each individual case in each division of the Retail Trade in the United States.

In other words, we are making every effort to develop the ability to convey to our clientele

Word Pictures

of each customer in which they are interested. Pictures that are exact, concise portraits covering the essential phases which give distinct individuality to each concern reported.

It is work that will never be completed, but consistent progress toward that goal may be expected by every client of the R. G. Dun System.



R. G. Dun & Co.
290 Broadway

A. D. WHITESIDE, President
New York City

National Credit Office, Inc.
2 Park Avenue

A "WALKIE" for Business Men who Think that Typewriters are "Just Typewriters"

Tomorrow do a little "watchful walking"! Walk through your office.

WATCH YOUR STENOGRAPHERS WORK!



WATCH the girl who takes 50% longer to type a sales summary . . . because she hasn't a statistical machine.



WATCH the girl who takes 30% longer to type 100 cards . . . because her typewriter has no card-writing attachment.



WATCH the girl who takes 25% longer to finish a financial statement . . . because she has to set tabulations by hand.



WATCH the girl who has to sit idle while her boss is on the phone . . . because her typewriter isn't Noiseless.

SAVING! Insurance Company cut 40% off operators' time in typing hundreds of thousands of premium, dividend and interest notices by adding two simple typewriter attachments.

AND THEN . . . figure how many dollars a week it costs you not to have typewriters hand-tailored to your typewriting needs.

We find in America's offices; no less than 124 different kinds of writing. So Remington makes a complete line of writing machines . . . indeed, the *only* complete line in existence. A model for each related group of uses!

And with 62 special attachments . . . with 55 varieties of type . . . with 3,066 keyboards covering professional needs, specific industries and all languages, not to mention 357 grades and colors of ribbons and 116 weights and colors of carbon papers. Remington Typewriters can be fitted to the specific writing need in your business like a glove fits a hand.

Telephone for a Remington Typewriter man. We promise to *prove* not only more satisfactory typing . . . but amazingly lowered costs. Remington Rand, Executive Offices, Buffalo, N. Y. Sales Offices in all principal cities of the world.

THE REMINGTON LINE OF TYPEWRITERS

built for specific purposes, is one of a variety of lines of office appliances and equipment manufactured and installed by Remington Rand . . . including Kardex Visible Records . . . Library Bureau Filing Equipment . . . Baker-Vawter-Kalamazoo Loose Leaf . . . Safe-Cabinet fire protection . . . Dalton Adding and Bookkeeping Machines . . . Remington Accounting Machines . . . and Powers Tabulating Machines.

Remington Typewriter Division

Remington Rand



BUILDER OF TYPEWRITERS FOR SPECIFIC PURPOSES

When writing to Remington Rand, please mention Credit & Financial Management

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looking ahead

Hardly a business exists that does not carry slow-paying accounts. Have you ever stopped to figure the cost of carrying them on your books? Last month Mr. Kase of Rochester vanquished the monthly statement idea, in favor of collection letters. Next month we will present a table showing the cost to you in dollars and cents of soft-hearted methods in account settling. Money savings, after all, are a matter of sense as well as cents.

Another economy effecting measure will be continued in the series by H. G. Romig, which develops the use of statistics in business as a check to measure collection efficiency, month by month and year by year.

Standardized financial statements are the subject of J. H. Eydeler's contribution, describing and analyzing methods and comparisons of balance sheets and profit and loss statements.

our front page

October's cover photograph is the second in the special series prepared for CREDIT AND FINANCIAL MANAGEMENT by our cameraman, depicting various office scenes and procedures.

CREDIT

and FINANCIAL MANAGEMENT

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CREDIT
and
FINANCIAL
MANAGEMENT
Oct. 1931

Owned and published on the 5th of every month by the National Association of Credit Men, One Park Ave., N. Y., Executive Manager, Henry H. Heimann, One Park Ave., N. Y., Secretary and Treasurer, Henry H. Heimann, One Park Ave., N. Y. Subscription price \$3.00 a year, 25 cents a copy. Canada, \$3.50. All other countries, \$4.00 postpaid. Entered as second-class matter April 5, 1927, at the Post Office at New York, N. Y., U. S. A., under the Act of March 3, 1879. Copyright, 1931, National Association of Credit Men. The N.A.C.M. is responsible only for official Association statements and announcements printed herein. Credit and Financial Management is indexed in the Industrial Arts Index of the H. W. Wilson Co. and is a member of the Audit Bureau of Circulations.

Vol.
XXXIII
No. 10



You can't "shut down" a family

WHEN orders are scarce and income is scanty, a factory may stop its wheels and close its doors; but with or without work, regardless of income, a family must go on. In hard times and good there are always mouths to feed, bodies to clothe.

When income is cut off, kind-hearted tradespeople, relatives, or friends provide means for obtaining essentials. Bills are accumulated until friends also feel the pinch of circumstances. Finally the breadwinner obtains a job and his creditors who have trusted him expect to be rewarded by immediate payment. They have bills of their own to pay.

The average American family asks nothing but a chance to work its way out of such difficulties.

Household, America's foremost family finance organization, gives families that chance through 147 offices in 89 principal cities. It lends them from \$50 to \$300 when they get back to work, tides them over times of stress, and gives them up to twenty months to repay the loan while they are getting back on their feet.

It is a self-respecting and self-dependent plan that Household offers. Husband and wife may borrow on the securities which are in almost every home. They need no signatures other than their own. The entire transaction is



conducted in businesslike confidence that was appreciated by more than 330,000 families last year.

Conscious of its great responsibility in helping to maintain families as "going concerns," Household makes its charges as low as possible for the retailing of money in small sums. It has voluntarily reduced its rate on loans above \$100 and up to \$300—nearly a third less than the maximum charge allowed by the Small Loan Laws of this state.



MONEY MANAGEMENT FOR HOUSEHOLDS, a helpful booklet on budgeting family income, leading to the happiness of financial security, is offered without charge to all. Telephone, call, or write for a copy.

HOUSEHOLD
FINANCE CORPORATION . . .
Headquarters: Palmolive Building, Chicago, Illinois
..(147 Offices in 89 Principal Cities)..
(Consult your telephone directory for the office nearest you) . . .

Turn the dial to your N B C Station every Tuesday night at 8:00 Central Standard Time and be a guest of the Household Celebrities, featuring America's foremost stars of the opera, concert, and stage, as well as leading thinkers in affairs of national importance.

Maintaining American families as going concerns

- One of the nation's major economic problems and a solution are pointed out in this advertisement. It is part of a campaign in leading newspapers to help keep families and factories going. Those interested in further facts about the economic importance of small loans to families are invited to write for information to Dept. C8, Household Finance Corporation, Palmolive Building, Chicago.

When writing to Household Finance Corporation, please mention Credit & Financial Management

he eats birdseed



HE weighs ninety-six pounds, is sixty-two years old and lives almost entirely on bird seed. Yet, he is one of the most remarkable men of our modern age, or of any other age, for that matter. His name is better known throughout the world than that of any other living man. If you haven't already guessed—his name is Mahatma Gandhi.

Mahatma Gandhi does not stand out on the world's horizon in his silhouette of leadership because he eats bird seed or because he is a weird, strange little man. The name of Mahatma Gandhi was known long before it was public information that he lives almost entirely on bird seed. It is one of the marvels of our day that a leader such as Gandhi should have arisen from the masses of India. His ascendancy to a place of world renown is an eloquent attestation to the power of real leadership.

Hundreds of committees and commissions appointed and selected from the masses of India could not have achieved even half the results that Gandhi has accomplished single-handed. Leadership is the Holy Grail for which our modern world is searching.

Not long ago I was talking with the treasurer of one of this country's oldest corporations—a man who has been with his company for almost half a century. "In the old days," he said, "our president was a real leader. Even the newsboys knew his name. He stood out like a giant in the minds of all our employees. The other day a peculiar thought struck me. I took a leisurely stroll out through our general offices and asked the first fifteen employees I passed the name of our president. Six of the fifteen didn't know the name of the president of the company for which they were working."

This gentleman was dumbfounded by the results of his experiment. I wasn't at all surprised when he recounted this experience. He then went on to tell me of a significant change in the administration methods of his company. "Where the chief used to make his big decisions that startled the country and made economic history we now have a committee of five men who make the decisions—which are never startling and which never make economic history."

Multiply this one case thousands of times and you have an answer to this country's plethora of leaders. Committees, commissions, delegations, boards—these groups have stultified the growth of leadership in the United States. Group conference and group thinking may succeed if handled very carefully—group action

will never succeed. Go into the reception room of almost any organization today and ask for one of the officials. The reception girl will generally say "In conference" or "In a committee meeting." Often times this is used as an excuse but generally it is the truth. Men have a natural liking for committee responsibility. I have known men with an excellent idea to say, "I'd like to have the committee pass on it before it is finally adopted."

Committee complexes in many forms are deterrents against leadership. We have medical psychiatrists to analyze and recommend remedies for mental complexes. At the helm of our commercial organizations we need business psychiatrists who have ability to analyze and the nerve to recommend remedies for committee complexes. Our business organizations should be incubators for leadership. Hardly any of them are.

A quarter of a century ago almost any man on the street could tell you the names of the dominating personalities heading our ten greatest organizations. Test yourself and see if you can name six of the ten executive heads of today's ten largest organizations. Even with the great advantages of publicity in their favor you probably can't name six of the ten. The answer is—lack of the dynamic force in leadership.

It wasn't a committee that led the Children of Israel out of the wilderness. It was a Moses. When tribunals, which were nothing more than ancient committees, began to rule Rome, that great power started on its tragic toboggan ride. From a Caesar to a triumvirate to a tribunal—to decadence. That's Rome's story. And history repeats itself.

Caesar, after Pompey had run away, started to enter the sacred treasury. Metellus, tribune of the people, blocked his way and forbid entrance. Caesar said, "Presume no farther, or I will lay you dead." Seeing great astonishment in the face of Metellus, Caesar said to him, "Young man, it had been easier for me to do this than to speak it." Here was the strength of leadership—action came easier than words. A leader has convictions—and acts on them. Others have opinions—and talk about them. That's why we have an over-production of committees and under-production of leaders.

Would you eat birdseed? Mahatma Gandhi does because he believes in it. His convictions came before the opinions of others. He is an individualist who understands people. What the world needs is more men who eat birdseed!

Chester H. McCall



POSTAL TELEGRAMS

GET COLLECTION RESULTS



CERTAINLY...
you can send your
TELEGRAMS by Telephone
 Just call "Postal Telegraph" or dial
 your local Postal Telegraph office. In
 most localities charges will appear
 on your telephone bill.

Postal Telegrams to lagging accounts are more effective than gentle reminders...more agreeable than harsh demands. They focus the attention of debtors on your collection message. They are polite and at the same time persuasive. They get action when action means checks coming in by return mail.

Postal Telegraph can simplify your collection work in 70,000 cities, towns and villages in the United States, 8,000 in Canada. It enables you to reach all these points not only with amazing speed...

but with speed that's based on accurate, dependable transmission...speed backed up by the *will* of its entire personnel to see your messages through.

Use Postal Telegraph in your credit and collection work. Use it to save time and money... to get results.



Postal Telegraph is the only American telegraph company that offers a world-wide service of coordinated record communications under a single management. Through the great International System of which Postal Telegraph is a part, it reaches Europe, Asia, The Orient over Commercial Cables, Central America, South America and the West Indies over All America Cables, and ships at sea via Mackay Radio.

THE INTERNATIONAL SYSTEM

Postal Telegraph

Commercial
Cables

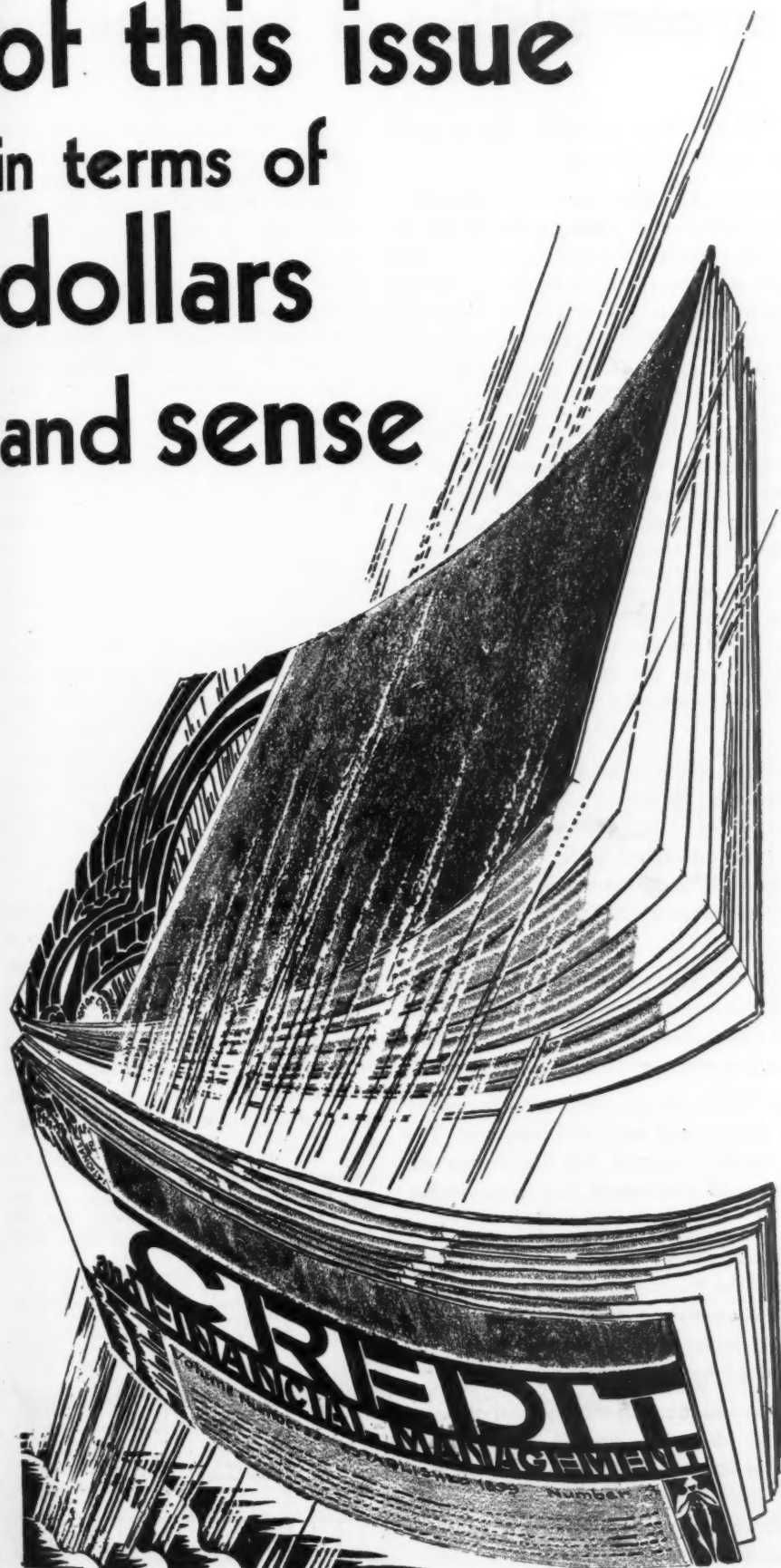


All America
Cables

Mackay Radio

When writing to Postal Telegraph, please mention Credit & Financial Management

a cross section of this issue in terms of dollars and sense



■ You may save yourself and your firm some anxious hours and some useful dollars by thoroughly digesting the ideas of P. C. Rider in regard to the investment of corporate surplus. His article starts on page 22, and is worth a re-reading and an office routing.

■ "Experience keeps a dear school," said Benjamin Franklin, many years ago, "but fools will learn in no other and scarce in that."

Here is your chance. Read the experiences of the N. A. C. M.'s directors in the solution of the insurance factor in credit granting. You will gain some pointers that may some day be of help to you, if not shortly. Here on page 18 is a mine of rich information.

■ Short-selling, as a topic of business conversation, is one of the tributaries of that Old Man River, Depression, who just keeps rolling along. The President of the New York Curb Exchange would seem to be a logical man to talk about short selling. He does so (page 10) in an article that shows the economic rise of stock exchanges in general and the Curb Exchange in particular.

■ Perhaps some of those with whom you deal have been caught by the "bears." Rather hard collecting outstanding accounts from them, isn't it? A change in the manner of asking for the amounts due might help. Something different in the style of collection letters is brought to your attention on page 14. It's a good plan and it has already been used successfully.

■ The Executive Manager's challenge to the "this is the end" business broadcasters is a stimulating piece, optimistic, accurate and sane. Read it on page 16!

■ W. S. Swingle's Third Quarterly Survey of 1931 Latin-American Credit and Collection conditions (page 24) graphically presents a "What's What way down South."

■ And Bradford Smith's analysis (page 26) of the foreign debt situation is a thorough-going background analysis of a current international problem. It develops the causes leading up to the present foreign problems which have effected Latin-America and Europe, especially Austria, Germany, and Great Britain in recent months.



the business

a compilation of business and

straws in the wind

blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

AUTO PRODUCTION: Expected seasonal upturns, new styles in various models and lines and the usual resumption after vacation layoffs has increased the production of automobiles during the past weeks. Cram's Automotive Reports estimates actual output for the week ending September 19 at 41,138 units, as against 41,228 units in the preceding week and 55,319 in the corresponding week last year. The large producers in this industry have been operating somewhat irregularly with Chrysler building hopes on its new Plymouth, Ford quite definitely preparing for a rumored new model of eight cylinders, and Chevrolet watching both rivals closely.

BANK CLEARINGS: Bank clearings for the week of September 26, according to Bradstreet's, were over seven billion, a drop of slightly more than 22 per cent. from more than nine billions of clearings in 1930 for the corresponding week and 50 per cent. over the previous week this year.

BUILDING CONSTRUCTION: Dodge reports new construction contracts awarded in thirty-seven states East of the Rockies in August to have amounted to more than \$233,000,000 a decline of 33 per cent. from August, 1930. Non-residential building was the most important among three major construction groups. Public works and utilities were second and residential building third.

BUSINESS FAILURES: Business failures during August were the smallest for any month so far this year, according to Bradstreet's, but the liabilities involved in these defaults exceeded those of July, March and February and were also the largest for any August on record since 1893. August had a record of 1765 defaults, an increase of 8.3 per cent. over August 1930, with liabilities involved amounting to more than \$100,000,000 an increase of 73.5 per cent. over August 1930.

CAR LOADINGS: Loadings of revenue freight for the week ending September 5 totaled 759,546 cars, the American Railway Association announced. This was a decrease of 97,103 below the same week last year and 258,935 cars under the corresponding week of 1929.

COMMODITY PRICES: Commodity prices for the first time in eleven months began to turn upwards late in August and early in September. The incline is not notable in amount; rather, it shows that the precipitate decline from the Spring of 1930 seems to have come to a close in the three months of the past summer.

STEEL PRODUCTION: Steel ingot output continues around 30 per cent. Consumers stocks are low at present and the buying of structural material is on the increase. With both railroad and automobile manufacturers in somewhat straitened circumstances, the steel mills must await either a new industry or a strong revival in these two important steel consuming lines.

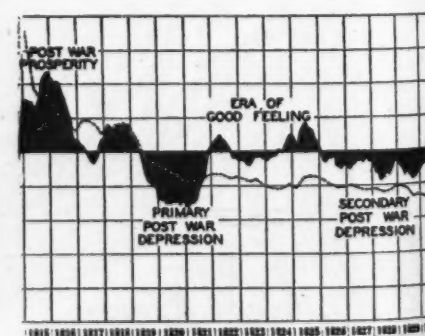
STOCK MARKET: Definite open handed announcements by steel of wage cuts which undoubtedly will be a signal for further open announcements along similar lines in other industries has bolstered up some hopes in the stock market and the seeming stability in the English gold standard late in September sent the market up considerably but fluctuations continued as after the moratorium announcement in June.

ARE we involved in a secondary post war depression? Three charts on this page are reproduced from the Cleveland Trust Company's Bulletin as evidence of such a possibility. In each of these post war periods there seems to have been the same sequence of price inflation, farm land prosperity and farm land speculation, price deflation and depression, city prosperity and speculation, and finally secondary price deflation and secondary depression as in past years.

Are we laying the foundations for recovery from this post war depression? The British gold situation is being viewed as a fundamental factor in the stabilization policies. Writing from London, Josiah Stamp, Director of the Bank of England and President of the London, Midland and Scottish Railway, in a special article in the New York Times late in September said that "going off the gold standard because of an unbalanced budget and with the prospect of an unlimited issue of paper money conjures up visions of past currency disorganizations in Europe—the flight from the mark and the flight from the franc.

"It naturally makes all people abroad who have dealings with Great Britain apprehensive," the British banker continued, "for all historical parallels show that this is a perilous condition both for the debtor and the creditor. But while this cause of going off the gold standard is a situation that threatens, it is not the cause that really operates."

note, in the charts below (by Col. Leonard P. Ayres) that each major war has been followed by primary and secondary post war depressions, the last decade's (1921-31) being the most severe



thermometer

financial trends and indications

"Going off the gold standard because international bankers and foreigners who have deposited their money with Great Britain have got into difficulties and presented their claims simultaneously and to much greater extent than would be regarded as normal under any banking system, was quite another affair.

"The situation created by this cause presents features for the future which are quite different and quite new. So far as Great Britain is concerned, there are certain advantages to be weighed against certain grave disadvantages. People who are taking a steady, long view of the situation are weighing two things: First, the advantage in the long run to British industry, and, second, the effect upon British finance as an international center.

"Great Britain draws some 50,000,000 to 60,000,000 Pounds sterling as an international money center from banking commissions and all kinds of financial services. If this source of income is seriously impaired, it will be very difficult to compensate it merely by the stimulus of internal industry to the same amount.

"The reason is that the 50,000,000 to 60,000,000 Pounds form an integral part of the balance of trade in paying for our foreign imports. It is one of the things we present to foreigners in order to get an exchange of our food-stuffs.

"Now no amount of internal prosperity and profits is quite of the same order or quality as this. Unless we are able to stimulate exports of some other material kind in place of our financial services this means a definite check upon

our ability to feed our people and a definite difficulty in balancing our international trade account.

"The profits of the City of London, therefore, are not mere matters of income of rich bankers. They have definite connection with our standard of life.

"It is not sufficiently recognized abroad that the natural population of Great Britain, without a very large foreign exchange of commodities and services, would be far smaller than it is—probably only 30,000,000—and we can only keep 45,000,000 with our high standard of life if we maintain that profitable interchange in foreign trade upon which the population has grown. The maintenance, therefore, of London as a financial center has peculiar importance in the maintenance of the British standard of life.

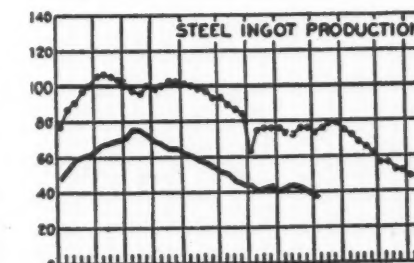
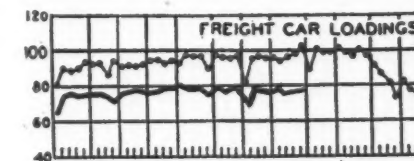
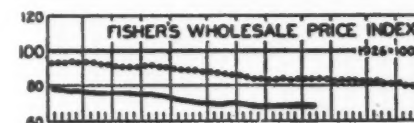
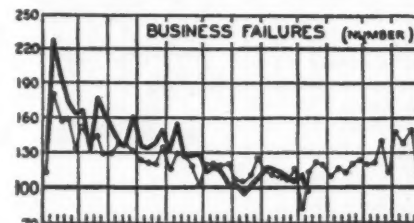
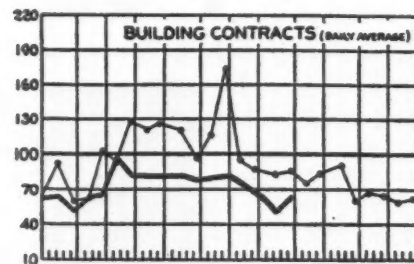
"To what then is this argument directed? It raises at once the question of the value of sterling as an international currency, and the quality and quantity of sterling bills in use throughout the world. This has been the most convenient form of payment for foreign trade not merely with Great Britain, but between two quite independent countries far away on the earth.

"If the Javan exporter to Japan can no longer be paid in a sterling bill, what will be the method of financing him? The bill is drawn and almost immediately discounted, so that the exporter receives his money to carry on his business without waiting for the importer to

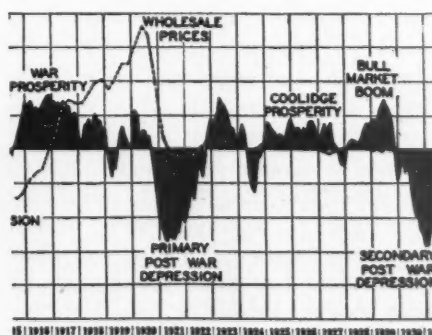
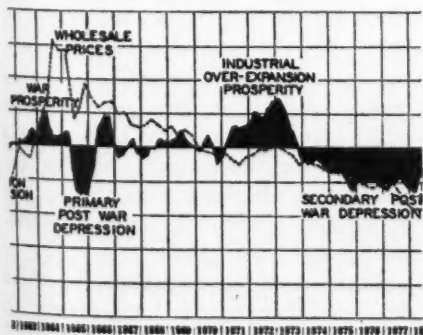
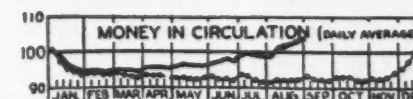
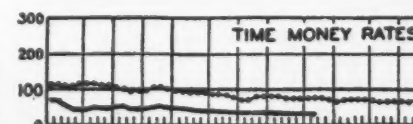
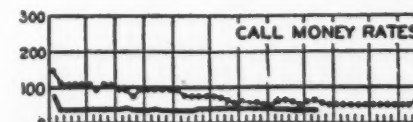
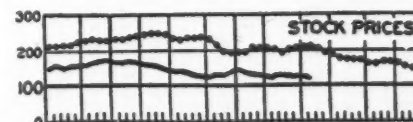
(Continued on page 39)

with the exception of Fisher's Index, U. S. Department of Commerce charts (right) are based on 1923-1925 average = 100

BUSINESS INDICES



FINANCIAL INDICES



Tontine's Coffee House on lower Wall Street . . . built in 1793 . . . first indoor home of the Stock Exchange

ized its facilities to their selfish and unlawful advantage. But these were not of our organization, and it is indeed unfortunate that we were often confounded with that element that chose to live beyond the law.

The ambitions and character of men have not changed through the years. Some men act as if inspired, accomplish great and constructive things; others are indifferent, fall into temptation and eventual obscurity. The early members of our organization were ambitious for better things; they were honest and law abiding, not by reason of the majesty of the law, but out of the sense of decency and self-respect.

It was this type of man who, following an urge for a better order of things, conceived and brought to fruition the Curb Exchange as we know it today, a place where they might do their business with a measure of self-respect, a place where they might clothe the profession with the dignity it justly deserved, a place where they might function under supervision and organization, and, above all things, a place where they might give the public a full measure of honest service.

When we came indoors ten years ago, we came in as an entirety both as to the body of the membership and mediums of trade. It was necessary to do so in order that we did not leave the nucleus of another market outside, but from the moment we came indoors, the process of refinement started. It has been going on ever since, and, in the nature of things, will continue to go on so long as we endure as an institution. The evolution of the institution is the story of life itself; we realize that we must strive for an even greater degree of excellence, for to stand still means to become decadent and fall behind.

It is not to be assumed, however, that we have reached the millennium in our development, for with a regular membership of 550 men, it is reasonable to expect that we will have to deal, from time to time, with a member who chooses to live contrary to the law, but we meet with that type of man among our trusted public administrators, we meet him among our clergy, and we

(Continued on page 48)

meet in a common market place which history designates as under a button-wood tree in the vicinity of what is now known as 68 Wall Street, New York. Those pioneer brokers, numbering about twelve in all, carried on at the original stand for a period of about twenty-five years, adding from time to time to their mediums of trade.

Subsequently, in order to better supervise their business and to escape the elements, they moved into quarters located in the Tontine Coffee House on lower Wall Street and it was here that a constitution was adopted that, with additions and refinements, is today directing the destiny of the New York Stock Exchange.

Immediately following the housing of that body, another aggregation of brokers formed outside the confines of the Exchange, but in due course these street brokers were taken into the fold. Later another body formed outdoors and this market grew to considerable proportions. Indeed, during the Civil War it transacted a larger volume of business than the parent body, but they too, were eventually consolidated. The New York Curb Exchange is the outgrowth of these outside markets that held forth in the thoroughfares of the financial district since the early days of the republic and it is not, as is generally believed, young in years.

As a matter of fact, it has years of tradition behind it. Indeed, there are a few active members of the Curb Exchange who are familiar with and helped shape its history for a period of over forty years.

The Curb Exchange, as it is known to the present generation of business men, carried on its business in the open thoroughfare on Broad Street. In 1908,

the New York Curb Agency was formed. This was the first constructive step taken in organizing the group and by 1911 the New York Curb Market Association had been formed. In 1919 plans were formally made to house the market and in 1921, it moved indoors thereby bringing to an end that picturesque and unique institution.

I have found in my conversation with men who are not in immediate contact with the Curb Exchange a tendency to think of it in the terms of the old outside market. This is not hard to understand, for it is a psychological fact that our first impressions are those that remain the longest. That old outside market was no better and no worse than should have been expected in the circumstances, and should you take a cross section of our citizenry today and place them in that same environment, under the same conditions, history would repeat itself. That market, nevertheless, served its useful purpose, for many of the securities on the New York Stock Exchange today had their initial trading on that market. Men of position and firms of standing did business out there.

We had the skeleton of an organization and we had laws but their enforcement was a difficult problem by reason of our outside environment. It must be understood that this was a public market place. We were all there by sufferance. Anyone who had the wherewithal to pay for what he purchased or the securities to deliver that he sold could do business there, so it may be seen that our jurisdiction was limited, and it is not hard to understand that sinister influences crept in and capital-



$$t_A = (35 - 29) \sqrt{25/4}$$

$$t_B = (29 - 29) =$$

by HARRY G.
ROMIG

Statistical-Research Consultant

how to measure your collection efficiency

ACCURATE measures of business conditions are a necessity today. Such measures are required by each individual business in order that it may know its relative standing with respect to the group of which it is a part.

It has often been pointed out that volume of business does not necessarily indicate that a particular company is prosperous inasmuch as heavy overhead may destroy all the profits. Losses through the credit department may be small for each department of a large concern, but, when combined, the total

loss may eat up all the profits. It is usually only when huge losses are sustained by the failure of a large account to meet its obligation that drastic action is taken.

What a credit manager needs is some yardstick by which he may know when small delays in collections, small losses sustained and similar credit information are such that he needs to take action in certain cases to keep his company on a par with other concerns dealing in the same commodities.

Such a yardstick must be based on accurate information concerning his business and similar businesses which make up the industry as a whole. In the majority of industries this information is readily obtainable by the credit manager. Having this information, the question arises, "What is the most efficient measure which can be prepared to determine when action must be taken?"

The leading industrial concerns have organized separate departments to analyze the information which they obtain concerning their own business and other industries with which they come in contact. Such statistical organizations have developed many intricate methods which perform the task assigned to them. Many advances have been made in the methods used so that it is possible to formulate the basic principles upon which such analyses are based. We will here set forth an approximate method of analyzing credit information which is easy to use and at the same time quite accurate. Its relative efficiency as compared with the standard method usually employed is very high if the amount of information is small, and decreases as the amount of information available increases. A little later it will be possible to show how to apply more accurate methods, where the results warrant the use of more refined methods.

We will assume that the information

to be analyzed is the best that is available and that the credit manager knows to some degree a few of the causes which have resulted in large variations in the numerical data which he has listed. These data should cover enough concerns and a sufficient period of time so that the problem raised may be answered with the accuracy desired. The principles enunciated so far have been general since the method to be applied is general and can readily be applied to any numerical data which are submitted for analysis. In presenting the method we will apply it to a specific problem, showing how effectively the yardstick may be applied and then summarize the steps involved.

We will take the hypothetical case of an industry in which three concerns A, B and C, are engaged. The industry, I, has information concerning weekly collections for 25 weeks as given in Table 1 below.

What is the relative standing of each of these companies? Which one is obtaining the most consistent weekly collections? Are any of the weekly collection values significantly different than the others? How can this information be utilized in establishing a measure of future performance? These are only a few of the numerous questions which can be raised.

Two statistics will be used in answering these questions. The first is a measure of the weekly collection level and is the simple average (M) of each group. The second is a measure of the variation between weekly collection values, the spread being measured about the average value of each group. It is termed the standard deviation (s). For the present we will not compute the standard deviation accurately but will obtain it approximately by using the difference between the maximum and minimum values in each group. This difference is often termed the range of

TABLE 1
Weekly Collection Values in Industry I
For Companies A, B, C

Week	Collections in \$100		
	A	B	C
1	25	32	16
2	23	35	27
3	35	27	23
4	28	32	20
5	34	28	29
6	32	30	11
7	44	28	14
8	29	31	8
9	27	28	27
10	43	27	24
11	24	25	28
12	40	34	22
13	42	29	17
14	38	27	18
15	32	31	26
16	36	26	26
17	31	30	21
18	45	24	28
19	42	28	30
20	40	24	26
21	29	32	20
22	33	30	25
23	41	32	28
24	37	26	33
25	45	29	28

it calculus

the observations. The standard deviation is readily obtained by dividing the range by the value given in Table 2 corresponding to n , the number of weekly collection values in each group.

We will first find the average (M_A) for Company A. Adding the 25 values listed gives 875. Dividing by 25 gives 35, the average value. The sum of the 25 values for Company B is 725, dividing by 25 gives an average (M_B) of 29 for this company. For Company C, the sum of the 25 values is 575, dividing by 25 gives an average (M_C) of 23 for this company.

To find the average (M_I) for the entire industry, we add the three sums, 875, 725, and 575, together giving 2175 and divide by 75, the sum of the values involved. The average for the industry is 29. Where the number of values, termed the observations, for each company in a group are identical, this average may be obtained more easily by adding the three average values, 35, 29 and 23, together, giving 87 and dividing by 3, the number of companies involved. It must be emphasized that this short cut must only be used when the number of values for each company are identical.

We will next determine approximately the standard deviation for each company and the expected standard deviation for a single company for the industry as a whole. For Company A, the maximum weekly collection observation is 45 and the minimum observation is 23. The difference between these two values, or the range, is 22. To obtain the standard deviation, divide 22 by 3.81, the value opposite $n = 25$ in the second column of Table 2, since only one group of observations is involved. Thus (S_A) = 5.77 for Company A.

For Company B, the maximum observation is 35, the minimum observation is 24, and the difference or range is 11. Dividing by 3.81 gives (S_B) = 2.89.

For Company C, the maximum value is 33, the minimum observation is 8, and the range is 25. Dividing by 3.81 gives (S_C) = 6.56.

To obtain the expected standard deviation for a single observation for the industry as a whole, add the three difference values, 22, 11 and 25, together,

giving 58 and divide by 3 giving 19.33 as an average value for the range. Opposite $n = 25$ in Table 2 the value 3.93 is found in column 3, since more than one group of observations is involved. To find (S_I) divide 19.33 by 3.93 giving 4.92 as the value of the standard deviation for the industry as a whole. These results may be summarized as in Table 3.

TABLE 3
Statistics for Weekly Collection Values
Averages and Standard Deviations for
Companies A, B, C and Industry I

Item	Symbol			
Average,	M			
Max.-Min., Range	R			
No. of Observations	n			
Constant from Table 2				
Standard Deviation	s			
	Indus-			
Item	Co. A	Co. B	Co. C	try I
1	35.00	29.00	23.00	29.00
2	22.00	11.00	25.00	19.33*
3	25	25	25	75
4	3.81	3.81	3.81	3.93
5	5.77	2.89	6.56	4.92

*Average Value.

If it is desirable to obtain the overall variation for Industry I, which is composed of the two components:

(1) Variation within a company, (values above, Table 3),

(2) Variation between companies, it may be found by taking the difference between the maximum value of 45 and the minimum value of 8 as the range for the entire 75 observations, the difference being 37 and dividing by 4.67, taken from column 2 of Table 2 opposite $n = 75$. Thus the total variation for Industry I is 6.92.

The companies can now be graded according to their average and standard deviation values.

Average, ($w_1=2$)		
Rank	Co.	Value
1	A	35
2	B	29
3	C	23
Standard Deviation, ($w_2=3$)		
Rank	Co.	Value
1	B	2.89
2	A	5.77
3	C	6.56

(Continued on page 54)

the first of a series of articles presenting practical and mathematically correct credit and collection measurement formulas

TABLE 2
Constants For Determining Standard
Deviation From Range

Number of Obser- vations n	Single Group	Many Groups
2	1.08	1.14
3	1.61	1.68
4	1.96	2.05
5	2.22	2.32
6	2.42	2.53
7	2.60	2.71
8	2.74	2.85
9	2.86	2.97
10	2.97	3.08
11	3.07	3.18
12	3.15	3.27
13	3.23	3.34
14	3.30	3.41
15	3.36	3.47
16	3.42	3.54
17	3.47	3.60
18	3.52	3.65
19	3.56	3.70
20	3.61	3.74
21	3.66	3.78
22	3.70	3.82
23	3.74	3.86
24	3.78	3.90
25	3.81	3.93
26	3.84	3.96
30	3.95	4.07
35	4.08	4.20
39	4.17	4.30
40	4.19	4.32
45	4.28	4.41
50	4.36	4.50
52	4.40	4.53
60	4.50	4.64
70	4.62	4.75
75	4.67	4.80
80	4.72	4.85
90	4.80	4.94
100	4.88	5.02
120	5.00	5.14
140	5.12	5.25
150	5.16	5.30
160	5.20	5.34
180	5.28	5.41
200	5.35	5.48
250	5.49	5.63
300	5.60	5.75
400	5.78	5.94
500	5.92	6.07

good jokes vs

"Mama sees bugs, Poppa sees snakes,
Whenever they get their start,
But the baby sees pink elephants,
God bless his little heart."



TO what extent should poetry, humor, and sprightliness be used in collection letters? This is a question that is often argued pro and con among credit men. The editor has met several credit men who believe humor and poetry should be used very sparingly, if at all. Other credit executives have used humor, lightness and poetry in their collection letters with excellent results.

Albert F. Chapin in his new volume on Credit and Collection Principles and Practice says, "A collection letter 'pulls' or induces the debtor to pay because it strikes in him a responsive chord. A certain collection letter used repeatedly is said to 'pull' because it strikes the responsive chord or chords present in the largest number of people".

This is an excellent definition of what a good collection letter should do. Let us put several collection letters, in which humor, poetry and sprightliness are used, to the test of Professor Chapin's formula.

Collecting money is a very serious business and it is human nature to take serious things too seriously.

Maxwell Droke, nationally known credit and collection authority says, "Collecting money is such a serious matter that we can't afford to take it too seriously." A veteran credit man, old enough to be my father, said that to me once, years ago. I have never forgotten it.

"Nor have I forgotten the occasion that brought my deserved rebuke. I had been commenting rather scornfully on a humorous collection letter. With lofty superiority I declared that making collections was no job for the joke-smith.

"Well, now, I'm not so sure about that," my elder counselor responded, "I'm mainly interested in keeping my accounts receivable in sound shape. If I can do that with formal, conventional letters that's fine; but if a good joke will help me collect a bad bill, I'm in favor of the joke."

Our contemporary life has developed a sprightly tempo. The outstanding success of *Time* magazine is one indication of how this trend may be capitalized. Much the same thing can be

done in collection letters.

A great many letters and comments reach our editorial offices on the use of humor and poetry in collection letters. A great many examples of successful collection letters in which these factors are utilized are received.

From Lillias Ropp, Assistant Treasurer of the Holmes-Darst Coal Company, Knoxville, Tennessee, we have received a series of collection letters in which poetry and humor are very effectively used. Miss Ropp in her letter to us said, "Knowing that most everybody enjoys a story, particularly if told in rhymes, I have written my letters along these lines. They not only have brought the money but the checks were usually accompanied by a letter showing that a spirit of goodwill and friendship had been established between our credit department and the customer".

Since the Holmes-Darst Coal Company have found these letters so effective in bringing in the money, we present several for the consideration of our readers. See if you agree with our endorsement of this one.

Gentlemen:

Happiness? Does anybody know what it is? The man who wrote these verses knew something of the feelings of a credit man.

The sweetest words of tongue or pen,
That find response in the
hearts of men,

And stir them with a joyous thrill,
And make them like
the birdies trill,

And those old words,
with sweet refrain—

That light the eye
and soothe the brain,
And faces grim, with smiles bedeck—
"Dear Sir: Herewith
enclosed find check."

Whoopee, make us smile. A check
for that March account of \$138.05 will
do the trick.

Very truly yours,
CREDIT MANAGER

Perhaps you'll like the second also.

Gentlemen:

MERRY CHRISTMAS

"All you that to feasting

vs. bad bills

and mirth are inclined,
Come here is good news
for to pleasure your mind,
Old Christmas has come for
to keep open house,
He scorns to be guilty
of starving a mouse,
Then come, boys, and welcome
for diet the chief,
Plum-pudding, goose, capon,
minced pies and roast beef."

Doesn't this old carol make you smack your lips? Christmas always means good things to eat, fun and happiness. We never can get the full good from Christmas if there is a little child without this joy.

At our mines there are about 12,000 people depending on us to furnish them their Christmas fun. We always anticipate pay days at the mines so that there may not be a child with an empty stocking on Christmas morning.

This year it is difficult to borrow the money to anticipate this day, as there is only one bank left in Knoxville and it cannot supply everyone's needs. We, therefore, have to depend on collections of our accounts, and we are counting on you for help.

You owe us \$121.00. If you just cannot pay this in full, please send us what you can, but write your check and mail it today before you forget it.

Very truly yours,
CREDIT MANAGER

The Christmas season is approaching and you may be able to adapt letter No. 2 to your own needs. Letters with seasonal appeal are generally very difficult to handle. There is too much danger of a hackneyed treatment. It is avoided in the third as well.

Gentlemen:

If you were fishing on the 10th, and forgot to send us a check, we will forgive you; for it is hard to work these days when the fish are biting so good. We like to fish too, but we have to be in the office every day, so we are going to play a little game.

This letter is the line thrown into the mail, the fish we hope to catch is your check for \$165.28, which was due to come in April 10th.

Do we get a bite before the 25th?

Very truly yours,

CREDIT MANAGER

Although letter No. 4 which follows

is in this case applied to a specific condition as given in the fourth paragraph, the idea "Cash—Hard Cash is Master of them all", can be adapted to any number of existing conditions.

Gentlemen:

"Gold is for the mistress—
silver for the maid—

Copper for the craftsman
cunning at his trade.

'Good', said the Baron
sitting in his hall,

'But Iron—Cold Iron is
Master of them all'."

So runs Kipling, but if he lived in Knoxville now, he probably would say:

"Cash—Hard Cash is
Master of them all."

During the past ten days Knoxville has passed thru a most distressing panic. There is only one bank left in this city of more than a hundred thousand people. Naturally this one bank is looking to everyone to pay up, and too our pay rolls must be met right on time so that all our miners may live. So it is Cash—Hard Cash we need.

Our books show you owe us:
October \$121.63

If you just cannot pay this amount in full, please send us a check today for what you can, and then give us another check a little later on for the balance.

Very truly yours,
CREDIT MANAGER

Letter No. 5 should be rather useful during the winter months, particularly if collections slow up. The words "this summer" in the second paragraph may very well be substituted with the words "this winter".

Gentlemen:

Someone has said:

"The coat and pants do all the work but the vest gets all the gravy."

That's a new thought, but there is one thing a vest is good for. We use ours as a depository for our pocket-book, but today it is no burden to carry the load of cash as everybody has been having dull times this summer and many good friends have deferred sending us their checks on time.

Our books show you owe us a little past due account, amounting to \$1,071.61.

Please put something in the vest pocket quickly.

Very sincerely,
CREDIT MANAGER

Letter No. 6 is an extreme use of brightness in style and appeal. The poem is a particularly difficult one on which to secure a proper transition into the commercial appeal of the letter. It has, however, been well done.

Gentlemen:

A recent issue of *Life* carried a few lines of jovial poetry, most modern in its swing and slant, reminding one of jazz-bands, hi-jackers, and anything but the Coal Business.

"Mama takes hers in the morning,
Poppa takes his at night,
But the baby sips gin
the whole day long,
O how that child gets tight!

Mama gets hers on three drinks,
Poppa takes most a quart.
But the baby gets higher
than an aeroplane,
On just one little snort.

Mama sees bugs, Poppa sees snakes,
Whenever they get their start,
But the baby sees pink elephants,
God bless his little heart."

You will probably wonder why on earth I am quoting such a poem, but the truth is, I feel as helpless as the youngster in the lyrical effusion, and only wish I could forget my troubles as easily as he seems to pass his on.

Today, my trouble is mostly money, or lack of it. Maybe you can keep me from seeing snakes and elephants if you will rush that check which was due to roll into this office on the 10th. It is only \$178.50, and it would surely be appreciated.

Sincerely,
CREDIT MANAGER

These six collection letters have brought in the money. A great many credit managers might not agree with the style and appeal of these letters, but as the veteran credit man said, "if a good joke will help me collect a bad bill, I'm in favor of the joke".

you can't keep a



by HENRY H. HEIMANN
Executive Manager, N. A. C. M.

- "consider our history . . . think of the present situation . . . hear the pusillanimous crying and whining
- "are we deserving of the things we enjoy?
- "has the blood of the American race begun to thin?"

If you have anything to say in this country you can always be sure of an audience. Irrespective of whether its a male quartet jazzing up a night-club program or the undertaker's chorus chanting a funeral dirge, there is bound to be an audience—an agreeable, absorbing, wide-eyed, open-eared, mob-audience. Perhaps that is the cause of our present trouble. Too many mob-audiences and too much mob-spirit in our thinking and living.

A great many of the prophets are telling us (and by prophets I mean so-called business economists) that we are in a new era; others say we are just around the corner from the highway to prosperity. The "new era" and "just around the corner" rackets have been worked so often that they've become five and ten cent store merchandise. No one respects a true economist more than I—but some of the "hurrah boys" posing as economists are too close to the circus lot to be taken seriously.

When I was a boy they put a bounty on sparrows. A sparrow is a harmless little bird, with a sharp rasping chirp, without the melody of a lark or the deep-throated notes of the thrush. In my boyhood days my financial condition was such that necessity compelled me to go out gunning for sparrows in order to realize sufficient bounty to finance my fishing tackle.

I am not in favor of more laws because we now have several million too many. However, if I were to put into effect any law, I believe I would pass a law putting a bounty on these pseudo-economists. I don't mind their having ideas or sticking their head out of a barrel of numerals and trying to prophesy on a foundation of figures so long as they keep it to themselves. But when they pose as authorities and spread the gospel of ruination or false optimism they are about as nauseating as the street sparrow and considerably more of a nuisance.

Perhaps it is a peculiar psychology

of business men, one long since capitalized on with respect to the public by that celebrated showman, P. T. Barnum, who epitomized his analysis of the American public by saying it liked to be hum-bugged. These economists have been diagnosing conditions for some fifteen years and I think they are the world's greatest optimists or pessimists, depending upon which type you meet.

The optimists are the "just around the corner" boys and the pessimists are the "new era" lads. If they keep up their predictions long enough they are bound to be right; but, of course, if you were to pass inspection or make an audit of what they may have said in previous years you would probably find, as a professor of one of our mid-western universities found, that a high average of their correct prediction is about 25%.

Perhaps after the fashion of the drug act, their predictions ought to be labeled "25% pure and unadulterated—75% bunk." But apparently Barnum had the American people properly diagnosed; for the after-dinner clairvoyants still draw audiences and some of them even get paid for their tea leaf turns. For sheer audacity and brazenness they have no equal.

We are in a new era! One can almost go back in memory to the year 1921 and recall the same statement. Or if you would like, go back to the year 1929 when the bubble was largest and these words will reoccur with a familiarity that will give you a headache—particularly if you accepted the doctrine.

What we are now experiencing is no different from what we have experienced in times past and what we will again experience in the future, unless we can control the human element of greed and selfishness. No one has yet had the courage to attempt to do that. There is much that is painful, almost nothing that is new, very little that is

incurable about our present situation.

A couple of centuries ago people began speculating on tulips in Holland and the history of that craze is a parallel of the stock market speculation of our day. A little later the South Sea bubble burst; there again you have the counterpart of our present situation. To record similar experiences would take a library. When the people wake up with a headache after these experiences they say that they are in a new era and that things will never be as they were. Suddenly after all of the centuries of progress, the world is going to retrograde!

When I was a young man traveling westward, I recall making the acquaintance in the hotel lobby, (and it was probably less expensive for me to make such an acquaintance in a hotel lobby) of a book-maker, who, as you know, earns his living through outguessing his customers on horse races. There was an especially good horse scheduled to start in a race and like all good horses he was supposed to be unbeatable and better than anything in the way of horse-flesh that had ever stirred the dust on the track. A customer came up and placed a wager that this particular horse would break the track record. The book-maker covered him for a thousand dollars. After the wager had been concluded I turned to my newly found acquaintance and expressed the view that he was foolish. I reminded him of the fact that the horse was presumed to be the best horse that had ever been in those parts and that, no doubt, he would set a new record.

He turned to me and said, "My son, this track has been here a long time and it is full of history; this horse must make new history and I'm almost willing to bet against any horse making new history. Do you realize he has to do what no other horse has been able to do in half a century?"

I often think of my book-maker friend's remarks about making new history in connection with our present

o a good country down!



situation. I say to you that in case we do not come out of this depression and scale higher peaks and make new records we will be making new history; for our past history shows that we have always done so and it seems to me that only a fool could conclude that a rich, growing, infant nation, possessed of the resources that we possess, could reach its zenith in the short space of a century and a half. A more logical and sound conclusion is that we have scarcely begun to grow.

There has been too much crying and too little trying, too many self-pitiers and too few self-starters, too much mouth and too little spine, in our present situation.

I wouldn't have missed living through these conditions for anything in the world. Furthermore, this nation is immeasurably better off in the long run for having experienced this depression. Of course, I sympathize with those who have had to suffer and there have been many of them; but there will be less suffering in the future because of the tragedy of the present. I am unwilling to concede the impossibility of a saner regulation of our economic life even though admitting there will always be peaks and valleys.

Has character ever been made without adversity? Isn't it a fact that it takes a crisis to temper the character of an individual or a nation? The poorest individuals or nations in the world are those who in times of adversity remember their years of prosperity and keep continually harping upon them. If we could forget the past and meet the situation as it is today, we would not have to go back into our lives several years to enjoy prosperity. Prosperity would soon be upon us.

I like to think of the way the milk of human kindness has flown through-out this nation in this distress period. I like to look about in the church on Sunday morning and see the well-filled pews. I like to see the practice of thrift and I value rigid economy; more than this, I like to hear the utter frankness with which those who have been hurt admit it smilingly and unashamed. These are some of the things that are really worth while that have come out of the storm.

I like to think of a dreamer for out of dreams great deeds arise.

The new era in which the farmer will fall back to peasantry, the independent worker to slave labor and the manufacturer to a cut-throat competition that doesn't permit the word "ethics"—where is the vision of those who predict any such future? They are not dreamers; they are simply having a nightmare.

Four and a half centuries ago a humble chart-maker dreamed of a new world and, despite the jeers and jibes that beset his way, he resolutely carried on until his dream came true. A century and a half ago our forefathers dreamed of a land rich in natural resources in which they might with freedom pursue their lives and their religions and escape the bondage of a monarchy. They faced the dangers of a sailing voyage and bridged an ocean of peril. Sometimes, within sight of their goal, they were driven back, but their courage never faltered. They carried on with billowing sails until eventually they reached the land of their dreams.

In reality they found this country a wilderness, but they did not sit down and bemoan their fate. Instead, they began, with diligent labor from morn 'til night, to clear the fields, cut the timber, plant their crops—they began, in short, to take root. And after a hard day's labor they dared not even sleep peacefully, for in the stillness of the night they were often aroused to fight savages in defense of their lives just as vigilantly as during the day they had to fight a stubborn, virgin soil. But within four or five months we find them gathering together in Thanksgiving—gathered together in Thanksgiving; think of it! Thanked the Father for what?—for an opportunity to work joyfully that through the sweat of their brows they could earn their daily bread.

Time moves on. We find an oppressed people in a rebellious spirit. All that is sacred to them is at stake; but unflinchingly they leave the fields and take up arms for independence and freedom. Starvation visits them and Valley Forge is a synonym for all privation

(Continued on page 49)



"Caryatid" by Auguste Rodin, Metropolitan Museum of Art



a symposium of the N.A.C.M. directorate's insurance experience for those who can profit by experience

A TRAGIC parade of losses marches through the ranks of creditors whose debtor merchants are not insured thoroughly and properly. Insurance has long been called the foundation of credit and you can not find a single credit executive in the country today who does not look upon insurance as a chief bulwark and credit reinforcement.

Good insurance management is almost axiomatic with good credit management. You cannot find any type of an account that should not be protected in some way by some kind of insurance. The National Association of Credit Men recognized this fact early in its Association history and has for almost over a quarter of a century been promoting and promulgating the cause of better insurance technique and a more

scientific insurance administration on the part of the credit fraternity. Arson laws in many states could not have been passed without the help of credit men and credit associations. Insurance committees from the Association have for years worked diligently to better the insurance structure of this country. To once again bring insurance administration forcibly to the attention of our readers, we have made a survey of the Board of Directors of the National Association of Credit Men. These financial and credit leaders have given us eloquent testimony as to the value and importance of insurance. Many of the facts related and many of the stories told by the Association's Directors may be of the utmost value to you in your own credit work. Others have to become insurance wise through experience and

insurance: ca

costly mistakes. This symposium will give you the knowledge without the bitter experience.

Meet Mr. F. S. Walden, Vice President of the Strevell-Paterson Hardware Company in Salt Lake City, Utah. Mr. Walden, as one of the Association's Directors, tells us how important he considers proper insurance analysis. Speaking of the value of business life insurance, Mr. Walden says, "At the present time we have a name on our books to which is attached a line of credit amounting to some \$8,000.00. The business is in fair condition and by that I mean the ratio of quick assets to current liabilities. The subject, however, is getting along in years and is 'Kingfish' in the business. Should he die the value of the business would deteriorate very rapidly because his name as a selling media carries an intrinsic value worth more in the business than the actual dollar and cent value of the merchandise stock. This is because the name of the business has been carried continuously over a period of forty-five years and there is no one to carry on this tradition of honest merchandise and fair dealings. The subject carries \$10,000.00 business insurance and if it were not for that we would not be willing to extend such a sizeable line of credit."

Mr. Walden's discussion of fire insurance brings out a particularly interesting and significant angle. He says, "We are very much interested in the amount of fire insurance carried by our customers and frequently send out bulletins asking them to check up to see if the amount being carried is adequate. On accounts where the amount of credit runs into large figures we maintain a very careful record of fire insurance being carried and go so far as to check upon the insurers. Occasionally where the account is exclusive or almost so and we are furnishing capital by virtue of carrying the account beyond customary terms, we have the customer assign the insurance to us."

Please note that Mr. Walden goes so far as to send out a bulletin requesting his debtors to check up on their insurance. This special insurance bulletin is reproduced on a following page. We suggest that you adopt Mr. Walden's plan and devise a bulletin of this kind for your own use. It will mean much to you and there is no doubt that your customers will appreciate it.

caryatid of credit

A great many of the Association's Directors very frankly stated that they considered good insurance management on the part of their customers generally indicative of good business management. Mr. Henry W. Clausen, Treasurer of the C. D. Osborn Company in Chicago, attested to this fact and in addition to this said "I make it my business to check up that the fire insurance carried is in proportion to the merchandise and fixture account carried. As a matter of fact, if I notice that the fire insurance carried is a good deal less than the amount of merchandise and fixtures given in the statement, I assume that they have dressed up their statement rather than under-insured their stock. By making this assumption the amount of credit will automatically be held down to be on the safe side."

"There is no question in my mind but what if the company administers its insurance affairs soundly and scientifically, that it can be taken as an indication of good management in the general business affairs."

"In closing may I not say that in my opinion the quicker business interests generally give more attention to the credit phases of their business, the sooner will we get back on the road to normal."

"There is absolutely no sane reason why we should manufacture and sell goods and then not make quite certain that the payment thereof will be received. Insurance, in all its phases, is a means which will bring about that end."

Mr. C. W. White, Secretary of the Logan Company in Louisville, Kentucky, gave us some very interesting facts concerning the insurance program of his own company. One or two cases have been brought to our attention where the credit executive insisted upon a complete and proper coverage for his debtor merchants but failed to provide this for his own company. In one instance heavy losses resulted. Mr. White in his letter to us gives a good example of how complete your own and your customer's insurance coverage should be.

"From our own experience we know it is sound business to carry fire and windstorm insurance, as we had a fire about fifteen years ago which caused a loss of about \$15,000 which was fully covered. We have also been paid several windstorm losses in the past few years. In addition to the fire and wind-

storm insurance, we also carry Use and Occupancy insurance which we feel is growing in favor with many concerns, for if a plant is totally destroyed by fire the profits of the business are protected during the reconstruction period.

"It certainly is a fact that if a company administers its insurance affairs soundly and scientifically that it is generally an indication of good management in the general business affairs of the company. I don't think there is any question about that."

"As a matter of fact, we carry every conceivable form of insurance, Forgery, Fidelity, Fire and Windstorm, Workmen's Compensation, Use and Occupancy, Boiler Explosion, and even Group insurance on the lives of our employees. The latter we have carried during the past thirteen years and we are well satisfied with it."

Many of the Association's Directors recounted specific instances with which they were acquainted where a proper insurance coverage would have prevented heavy and inexcusable losses.

Mr. Bond, General Credit Manager of the Standard Oil Company of California, whose office is in San Francisco, gives three very striking testimonials.

"Within the last two years there was a case where business life insurance, carried by a certain concern which was the factory representative for an automobile, enabled a complete settlement with the secured creditors who would not have gotten anything otherwise. There was involved in this figure some \$500,000 of indebtedness; the concern being greatly involved. The failure was precipitated by one of the principals shooting himself and his partner, who seemingly brought on the murder and suicide."

"Some few years ago we had an old time picture post card and variety store go into bankruptcy due to a judgment for \$50,000 for personal injuries sustained by a customer while in the confines of the store. Just recently a woman fell and bruised herself in the store of a customer of ours and obtained a judgment for \$10,000. This was a small concern which found it necessary to go into bankruptcy, it being unable to make settlement on the judgment."

"A contracting customer of ours was practically put out of business in a damage suit for injuries sustained amount-

ing to \$32,000. We believe that more importance should be attached to Casualty and Accident insurance than is now the case by reason of the many traffic hazards and the really careless way in which people use our streets. There are some lines, especially the gasoline resale line, that are under a great hazard in this respect and we are more and more going into this feature with such customers and in very many instances demanding that they properly protect themselves."

After reading about a few such cases as these, it is not difficult to understand why credit executives are becoming increasingly insistent and careful in their insurance analysis. Mr. H. Templeton Smith of the Poland Coal Company in Pittsburgh, Pa., gave us the benefit of some of his observances. He reported particularly on the value of business life insurance, stating, "one bank reported an instance of a loan to a one man business concern in which the individual enjoyed excellent reputation for fidelity and honesty, but who upon his death left no estate whatever and nothing but debt. The insurance policy held by the bank on this man's life paid for their loan in full. They would have otherwise lost the entire amount. Another case was reported of three partners in business, two young men actively engaged in the business, financed by the third older partner. The particular concern extending them fairly large credits required that they carry insurance on the lives of each of the partners. Hard times struck the concern simultaneously with the death of the older partner. Had it not been for the life insurance on this partner, the business would have been wiped out, although it was a well managed concern in a profitable line."

"The interest of credit and financial leaders in insurance is much broader in scope than a mere analysis of the debtor's insurance coverage. Mr. Pillsbury of B. Rosenberg & Sons, manufacturers of Rex shoes, as a director of the Association in New Orleans says, "We, of course, are very careful to ascertain whether or not the customer carries a sufficient amount of fire insurance and if in regular old line or mutual companies."

"One of our customers recently had very unsatisfactory experience with a small mutual company, which company had practically no financial responsibility and was noted for being unable to pay its insurance losses."

(Continued on next page)

"We now have under consideration the matter of having our Legislature draft a law which will regulate mutual companies somewhat the same as the old line companies are regulated in this State, so that those who do insure in mutual companies may at least have some protection."

The work of members of the National Association of Credit Men in promoting and securing sound insurance legislation is of the greatest importance to both business and insurance interests of the company.

From Mr. Clark Hogan, of Carroll, Brough & Robinson, in Oklahoma City, come two specific instances that we have as significant testimony to the value of proper insurance coverage.

"This is the case of a man, and his two sons, who were very profitably operating a big oil field store in Osage County, at the time when the oil boom was at its peak in that district. The father was chiefly engaged as a rig building contractor, and was active in the store in only a supervisory capacity. The rig building business was good, so was the grocery business—the family was prospering, but a workman fell from the top of a derrick which the father was erecting, he was killed, a suit for damages followed, and the figures named were large; a decision was rendered against the building contractor, and an appeal did not change the decision. There was no insurance in force—bankruptcy followed and everyone involved lost money.

"Here is another rather forceful lesson. Last year a town just outside the outskirts of this city, was struck by a cyclone which destroyed most of the homes and business buildings of that community. The stores of several of our customers were in the path of this storm and the stock, fixtures and records were scattered to the four winds. On those whose stores were covered by Tornado Insurance, we suffered no loss, and those who had no insurance were wiped out completely, and quite naturally, the creditors suffered the entire loss of the account."

The Association's Director in Los Angeles, Mr. J. M. Rust, Treasurer of the Union Oil Company of California, says "Fire insurance coverage is a very important factor in credit and these hazards are carefully analyzed in the extension of credit and we insist on enough fire insurance to cover debtor's accounts payable in the event of fire loss. The revision of fire insurance is frequently gone into but more to ascertain whether or not the insurance carried is adequate.

Special Bulletin

SALT LAKE CITY, UTAH

PLEASE RETURN

How Is Your Fire Insurance?

I once had fire insurance in force,
But now I reflect with cheerless remorse,
When at the time premiums seemed getting higher,
And I knew for sure I was immune from a fire,
I dropped the protection and saved the fee,
So it was a sad, sad day when the fire got me.

Have you checked your fire insurance lately against the value of merchandise stock, furniture, and fixtures? If not, you should do it. Hot weather spells increase fire hazard and you should have 100% protection.

Disregarding the value of full fire protection and not watching carefully the fluctuations of burnable assets, causes hundreds of millions of dollars in losses every year to the merchants of this country.

Consider also the advantages of fire insurance.

Where a fire occurs and the property is fully insured a considerable loss is usually the result, such as discount for obsolescence on old stock and the loss in time involved in rebuilding and restocking the store.

It is, therefore, an act of wisdom to do all possible to lessen the hazard in every manner.

We have at our office a financial rating on every fire insurance company in the United States, whether a Stock, Reciprocal, or Mutual company, and we would gladly advise of the reliability of any company with whom our customers are doing insurance business. Among insurance companies there are the good and the bad.

If you desire such information kindly submit a list.

Cordell,

Strevall-Paterson Hardware Co.

By

F. S. Walton, Vice President

PSW:BS

a letter circulated by the Strevall-Paterson Hardware Co.

There are other types of insurance besides fire insurance such as occupancy insurance. Revision of fire insurance is frequently asked for, particularly in the lines of business where the hazard is an important factor.

"We find fidelity and dishonesty insurance steadily growing in importance and if we are not able to obtain an insurance company's bond, personal fidelity bonds are required. Dishonesty in a small business usually has disastrous effects and in any type of business, if defalcation is large, a decided handicap to the business is the result. This is a very practical type of insurance.

"Casualty and accident insurance is a very important factor, particularly in California. Any firm without proper protection may easily have its business wiped out or badly crippled unless proper adequate insurance of this type is carried. We had one experience with a laundryman who owned a laundry, clear of all indebtedness, and doing a nice business. One of its women operators was injured in an accident, brought suit for damages and wiped out his entire business in the judgment ob-

tained. Accidents arising through automobile liability is another class of insurance that requires close attention. A number of instances are to be found where this type of insurance has resulted in judgment precluding creditor's collection of accounts.

"As a general proposition, the company which administers its insurance affairs soundly is likely to use good judgment in other factors in its operation. However, this does not hold good in all cases. Some past experience on the importance of insurance makes a concern over-cautious in paying too high premiums and being over insured, beyond its relative importance to the business income. But generally speaking, the business giving adequate attention to business insurance will be giving like attention to other factors and is one of the considerations which points to good management."

Mr. P. M. Millions of Ernest L. Rhodes Company, Atlanta, Ga., has sent us a particularly significant story concerning the importance of business life insurance. After you read this story

(Continued on page 51)

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1931



■ group action ends when the "let-someone-else-do-it" spirit begins and group action begins when the business communities bring their troubles to the Secretary Managers such as
S. J. SCHNEIDER
 of the Louisville
 Credit Men's Association
 ■ one job by one man

letting Sam do it

THE Secretary-Managers of the local affiliated units of the National Association of Credit Men occupy a key position in their cities and communities. Many bright pages in this country's daily commercial activities are written by the Secretary-Managers of the N. A. C. M.'s local associations.

The Secretary-Manager of the local association can be one of the strongest business forces in this territory and community. Many of them are. But it is often difficult, and generally impossible to get these striking stories for publication. The Editor of this magazine has been very fortunate in securing one of these "inside stories" and, without the permission and sanction of the Secretary-Manager it concerns, is publishing the story of this remarkable achievement.

Our good friend S. J. Schneider, Secretary of the Louisville Credit Men's Association, will probably accuse the Editor of collusion. We all know that Sam doesn't like and doesn't want publicity. But he has to accept this story and forget his modesty for the good of the great organization and work he represents.

The gist of this whole story is embodied in two letters. The following letter was written to the magazine by one of Louisville's prominent business leaders. Through courtesy to the gentleman who brought this to our attention we are not giving his name. His letter of explanation reads:

"I attach copy of a letter written to Mr. Schneider under date of August 19th, which is self-explanatory.

"The Louisville Trust Co. was one of the institutions allied with the National Bank of Kentucky, and when that bank failed, it took with it the Louisville Trust Co. Judge Houston Quin, former member of the Court of Appeals of the State of Kentucky and former Mayor of the City of Louisville, and one of Louisville's exceptionally outstanding citizens, undertook to head up a committee to reorganize The Louisville Trust Co. Mr. Schneider was then asked to be a member of this committee and accepted the invitation, acting as secretary of the committee and doing very valuable work as the letter indicates. One of the leading luncheon clubs thought so much of the successful effort of Judge Quin and the committee, that they presented the cup, which they give each year, to Judge Quin for performing the most outstanding and valuable service to the City of Louisville in the year 1931.

"Sam is rather modest in accepting so much praise in this matter, but I thought so much of this letter and knew that it so truly expresses Judge Quin's sentiment, that it might be useful for publication in CREDIT & FINANCIAL MANAGEMENT, using it to express to the membership the value of our credit organizations to their respective communities, and urging those who are executive managers to take advantage of opportunities when they are presented to render noble service. This letter of commendation should be the stimulus to the public-spiritedness of our various associations. At the same time, it is my desire that those in the service know that Sam is keeping up his good record

of being 'up and doing' all the time."

This letter, in itself, is an extremely gracious commendation of Sam Schneider's important contribution to his city. But now read Judge Quin's letter:

Dear Sam:

Transposing a familiar passage, you have fought a good fight, you have finished the course, you have kept the faith, and there is laid up for you a crown of deeds well done. Your name has been indelibly written into the history of Louisville. Yours has been an important share in one of the greatest of our city accomplishments. Yours has been the guiding hand in what is probably the most constructive work of its kind ever undertaken in Kentucky. The success of the effort has been complete. When some said it could not be done, you worked the harder. When clouds of opposition and discouragement grew dark, you inspired your colleagues to go on.

Louisville is greatly indebted to you. You have been unselfish in your work, generous with your time, helpful in your counsel. It has been a privilege and pleasure to be associated with you. I do not think I have ever worked with a group more loyal, more considerate, or more encouraging.

A red-letter day indeed for Louisville, made the more brilliant and colorful because of your artistic touch of civic interest, loyalty, unselfishness, and determination.

I just wanted you to know I greatly appreciate your helpfulness and cooperation.

This letter needs no acknowledgment.

Gratefully yours,

(Signed) HOUSTON QUIN.

The Association is proud of Sam Schneider. It is proud of its Secretary-Managers who stand out in accomplishment and attainment in their cities and communities just as Sam Schneider stands out in Louisville. The Secretaries of the N. A. C. M. local associations comprise one of the strongest co-ordinated units of modern business. It is their daily job to guard the nation's most sacred trust—credit. Back of them is the Association's great Interchange and Adjustment Bureau Systems. But their influence expands beyond the sphere of credit not alone. They bulwark every phase of business activity. They are powers in civic strength and development.

Hats off to you Sam! You have brought glory to the great body of which you are a part—The Secretary-Managers of the N. A. C. M.

liquid conditions demand



- "it is the ability of a business organization to adapt itself to new conditions that determines its chances of survival and enduring success
- "reserve, to tide a company over a crisis, must be in available form
- "accounting reserves may or may not represent liquid assets: real reserves ARE liquid assets."

by P. C. RIDER, Vice President
Halsey Stuart & Co.

A WISCONSIN manufacturer of special machinery faced a disturbing outlook at the end of 1929. The first clouds of the coming business depression were already blowing across the horizon, but even more serious was the fact that the business of this manufacturer had for some time been slipping into a decline of its own. The special machinery which for many years had been made and marketed successfully was becoming out of date.

The managing head of this company did not delude himself that his difficulty would correct itself. What his business needed was a new line of machines which would give him the same edge upon competition that he had enjoyed in previous years.

Today he has the new line. Instead of watching his market slip away, he has moved into broader markets during 1931 than he had ever occupied before. Recent reports have been that he has more orders upon his books than at any time in the past two years.

Instead of looking with envious eyes upon the achievements of this manufacturer, other business men would do well to study his case in order to find out whether it does not carry a lesson for their own organizations as well. The Wisconsin manufacturer, in the first place, recognized that his business, like all others, is subject to change. The products which he had once found profitable were so no longer. He saw that there was no use in sitting back and blaming his plight upon general business conditions, unfavorable though these might be. The course of events in the business world, apart from immediate conditions, had placed him at a disadvantage; and this could be cor-

rected only through the development of a new line of machines which would place him back at the head of the procession.

Fortunately, he had the development and managerial ability to modernize his products and to make the necessary changes in his factory and equipment for its production. Most fortunately of all, he had the liquid financial resources necessary to carry his project through to its successful completion. Had he lacked such resources, the story would probably have been a very different one.

The financial preparedness of this manufacturer is precisely the point which should carry the greatest significance for managers of business companies in every line. Change is one of the most certain facts about all business—indeed, it seems sometimes to be the only certain fact. From decade to decade—even from year to year—changes take place which may tax the resources of the companies which they affect.

These changes may alter the acceptability of a company's products, as in the case just referred to, or they may concern the character of its competition, its markets and sources of profit—in short, any of a score or more of the factors which enter into the business problem.

In some places, these changes come about gradually—almost imperceptibly; in others, they come with a sudden force sufficient to shake even a strong institution to its foundation. However they may come, it is the ability of a business organization to adapt itself to new conditions—even to anticipate them—that determines its chances of survival and enduring success.

In adapting a business enterprise to changing conditions, of course, an ele-

ment of primary importance is the ability of the management. It must combine alertness, vision, good judgment and caution. Even extraordinary managerial ability, on the other hand, may prove unavailing if there is lacking another element to make it effective—namely, sufficient financial resources. And this element is obviously too important to be left to chance; it should be provided through the exercise of foresight and the adoption of a carefully designed reserve policy and program.

A necessary preliminary to any discussion of financial policy for business organizations is a survey of the needs and risks to which they are subject. Without attempting an exhaustive study of the subject, it will perhaps be helpful to review briefly some of the principal purposes for which provision may be made. These include (1) contingencies: new inventions; scientific discoveries; changes in styles, fashions and buying habits; losses through fire, flood, earthquake, and similar happenings; and liability under workmen's compensation laws; (2) the need for expansion; (3) the payment of dividends when not covered by current earnings; (4) losses through legal action; (5) extraordinary working capital needs—that is, needs which do not recur with a sufficient frequency to warrant keeping an additional margin of cash to meet them; (6) retirement reserves (in the case of partnerships); (7) inventory shrinkage; and (8) replacements necessitated by depression, obsolescence and depletion.

Without attempting any detailed discussion of all these sources from which financial needs and risks may arise, it may nevertheless be helpful to say a few words regarding the contingencies which are difficult or impossible to foresee. Perhaps the most important of all the contingencies against which certain companies need protection are those which arise as a result of new inventions, scientific discoveries, improved

liquid reserves

processes and changes in styles and buying habits.

The invention of radio, as everyone knows, brought with it a crisis for the musical instrument industry. Similarly the development of the modern motor car caused serious embarrassment to companies engaged in providing certain other forms of transportation—particularly interurban electric lines connecting comparatively small communities. The development of the electric motor and its displacement of the steam engine in industrial plants has had a serious effect upon the market of rubber and leather belting manufacturers. The rapid displacement of the horse by the gasoline tractor has affected adversely a large number of the industries engaged in providing equipment for the farmer.

The development of chain stores in recent years has presented a problem for many large wholesale companies. A large manufacturer of hosiery, caught unawares by a sudden change in the style of women's hose, a few years ago, was compelled to replace a large part of his machinery, the resulting expense and loss through suspension of operations having undoubtedly produced serious financial strain. The growing preference among all classes of consumers for advertised brands of packaged goods has also presented a serious problem to hundreds of manufacturers who have been slow to follow the new trends.

In many lines of industry, developments have been so rapid that there has been a constant race among manufacturers to add new features to their products, and to keep their market from being destroyed by some new invention, or some feature that catches the public fancy. In certain kinds of industry, too, styles, fashions, fads, and preferences are so important that unless a

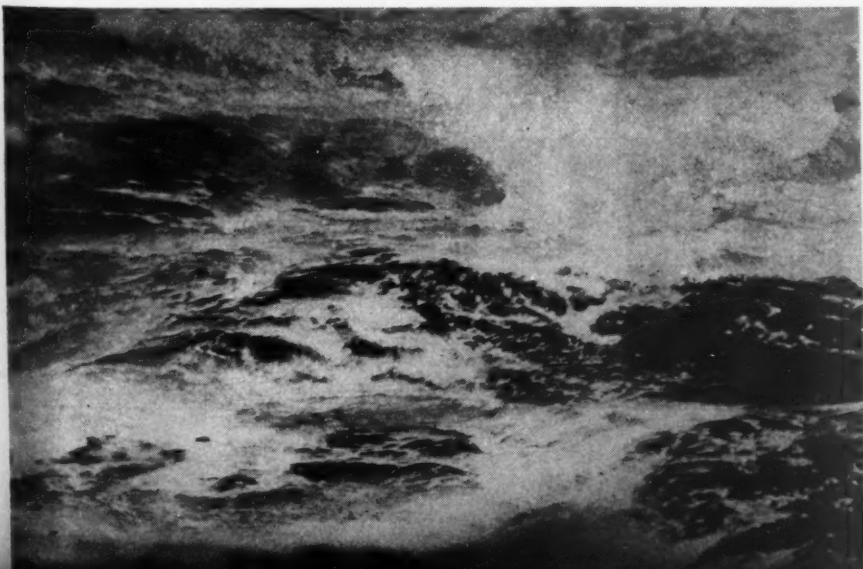
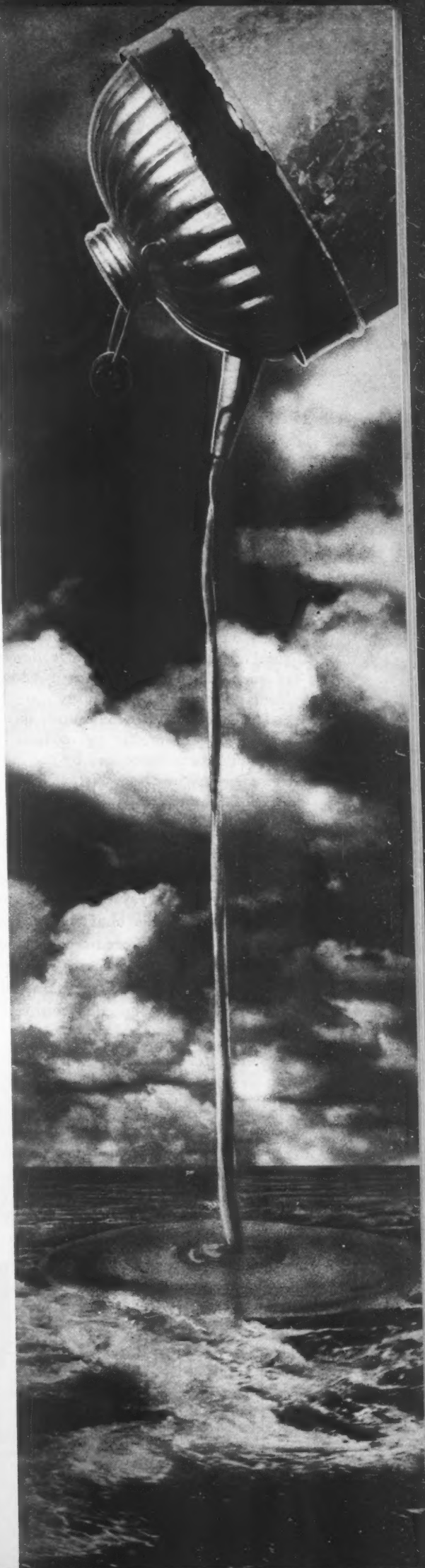
company is financially able to bear the consequences of occasional wrong estimates and judgments, its chances for sustained success are not bright, to say the least.

Without attempting to cover as broad a subject with any great degree of completeness, it may be helpful to point out that there is every reason for companies so situated to establish liberal reserves for protection against contingencies arising from these sources. How large these reserves should be or can be, and precisely what policy should be followed in their investment is, of course, a problem that demands separate study for each company.

As a business organization becomes more firmly established, as a rule, there is a marked tendency on the part of the management to make provision for future financial needs, and to seek protection by financial means against the risks inherent in the business. This disposition not only reflects the growing tendency toward conservatism as a firm grows older, but in many companies it indicates an increased sense of responsibility to the stockholders. Most business organizations of medium and large size are no longer responsible to a single individual owner, or to a small group of owners, but to a large number of people who have bought its stock for investment purposes. With the broader distribution of corporation stocks among the public, managements become much less inclined to take the long chances that may have been taken in the early days of the company's history. Having something in the nature of a

(Continued on page 40)

reserve to pour on, and still the troubled waters, must be in liquid form . . . frozen reserves will not "pour" in an emergency



current survey of credit conditions and

■ W. S. Swingle, Director of the Foreign Department and the Foreign Credit Interchange Bureau of the National Association of Credit Men, in this article gives his current statistical interpretation of Latin-American credit conditions and collections. You may refer to the February, April, July and October, 1930, and January, April, and August, 1931 issues for previous surveys.



THE surveys of credit and collection conditions in twenty-one Latin American markets for the third quarter of the current year indicate in most countries a continued unfavorable trend. This conclusion is based on the opinions of members of the Foreign Credit Interchange Bureau of the National Association of Credit Men at the close of September.

This is the twelfth consecutive quarterly review of credits and collections in Latin America compiled by the Foreign Department of the National Asso-

ciation. The accompanying charts show a graphic comparison for the past five surveys, beginning with September, 1930. These have been previously published in the issues of CREDIT MONTHLY and CREDIT AND FINANCIAL MANAGEMENT, as well as the graphical surveys running back to April, 1930.

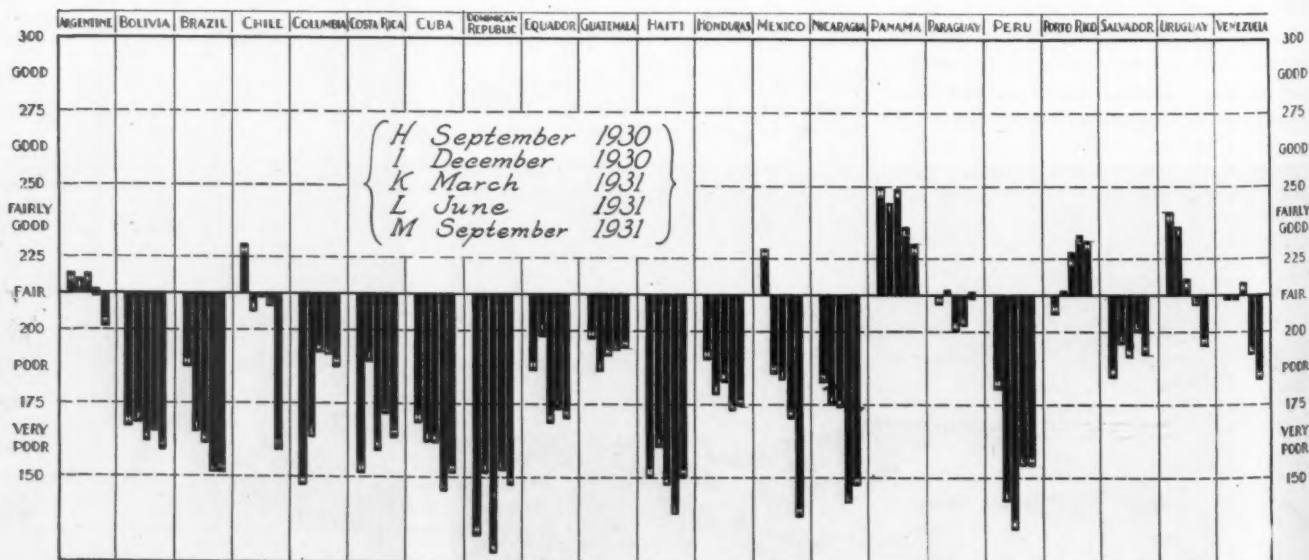
In considering credit conditions, which reflect the credit background of commercial transactions rather than the general political and financial situation, these surveys are based on the opinions of those conducting business in the countries covered. The index of credit conditions indicates a slight improvement in seven of the countries covered, and a decline in twelve, the balance remaining as in the previous survey. As

a reflection of the generally unsatisfactory conditions throughout Latin America at this time,—principally due to the low commodity prices and resulting in decreased purchasing power, as well as the unsatisfactory financial conditions in a number of countries where service on the foreign debts has been discontinued,—none of the markets received a classification of Good at this time, and seventeen of the twenty-one countries are classified as Poor or Very Poor.

The current survey does not show the effect of the recent change from the gold standard in many European countries, as this happened just after the survey figures had been compiled. However, the general exchange situation continues to present one of the most difficult problems in regard not only to credit conditions and purchasing power, but also in regard to collections.

By referring to the accompanying chart, it can be seen that while improvement has been shown in such countries as Haiti and Paraguay, they still remain in the classification of Fair and Very Poor respectively. Some improvement was indicated in Cuba, but this still remains in the Very Poor classification, and what little improvement occurred apparently is due to the fact that political disturbances did not come to the head which was expected a short time previous. Chile continues to show a material decline and now reaches one of the lowest points in the index, after having been a year or two ago one of the better buying countries, this being

The chart below gives credit conditions in twenty-one Latin-American countries, based on data compiled in five surveys described in this article. This chart is scaled on the basis of the credit condition index figures which express mathematically the combined opinions of individual reports on each country.



ns and collections in Latin-America

one of the most sudden drops since the survey has been started. The difficult situation existing in Chile in regard to the service of foreign debts and other factors brings about this condition.

Mexico now drops to the lowest classification of any country in the survey, brought about by the conditions resulting from the new monetary law and the sudden and arbitrary placing of the country on the silver standard. Porto Rico still maintains the improvement shown in the previous survey. Uruguay shows a further decline. This also applies to Venezuela.

The survey of collections in comparison with the survey of three months ago indicates a falling off in the collection index figures in seventeen of all the twenty-one countries. Small gains have been made by four countries, but with the exception of Panama, these gains are in countries which are rated low in the collection index.

Chile has shown the greatest decline with a net loss of 35 points in the collection index, bringing this country down to the classification of Very Slow as compared with its previous position of Prompt. Mexico, with a further decline, now reaches an unusually low point and is the lowest figure in the collection index. In addition to these, declines have occurred in such countries as Cuba, Dominican Republic, Peru, Salvador and Guatemala.

Taking into consideration the diffi-

cult conditions existing in many countries, while collections are slow, they are comparatively favorable and where exchange difficulties can be overcome, well-established connections are being continued with reasonable promptness. Careful investigation and handling of credits with ample, up-to-date information available, is evidently a necessary requirement for doing business in most of these markets. While the moral background has not been in most cases impaired, financial difficulties and particularly the difficulties of exchange, make it evident that extensions and delays may be looked for until there is some marked improvement in the situation.

It may be explained for the benefit of those who may not have a record of the basis on which these surveys have been made, that the credit survey is based on reports of good, fair and poor, compiled into percentage figures of all those reporting with the results indicated in the index figure, using the same basis as that of the previous surveys for comparative purposes.

The index of 250 or better covers a percentage of not less than 60 per cent. good and 40 per cent. fair, with the classification of "good".

The classification of "fairly good", covers the index of 250 to 225 with the percentage of 25 per cent. good, 75 per cent. fair.

Between the index figures of 225 and

200, the classification is "fair", with a minimum of 100 per cent. fair.

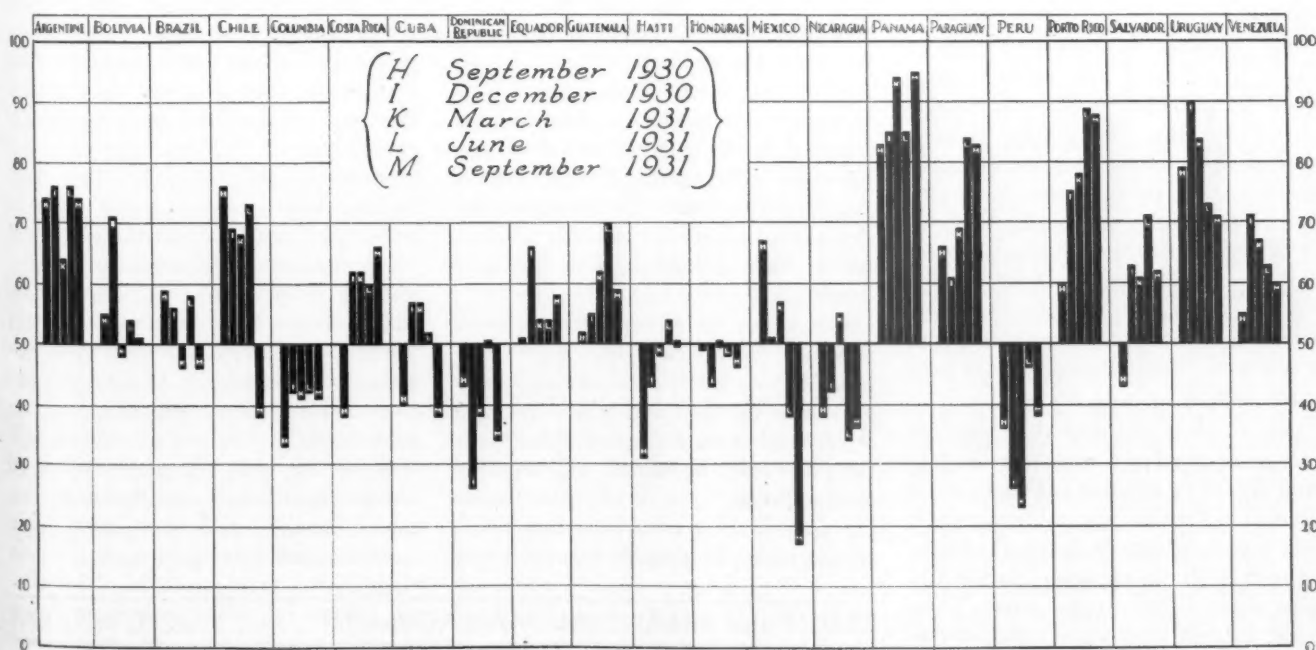
For the classification of "poor", the index figure is 200 to 175 with a low percentage of 75 per cent. fair, 25 per cent. poor.

Below this, the classification is "very poor".

In graphing collection conditions, the index of 50 per cent. prompt or fairly prompt has been taken as the mean for comparison. An index better than 50 per cent. prompt or fairly prompt appears above the mean line in the graph, while a less favorable index runs downward from the mean position.

The arbitrary monetary and exchange regulations in such countries as Mexico and Brazil have caused considerable difficulties, particularly from the collection angle. The exchange regulations in other countries such as Chile, Argentina, Colombia and Uruguay, present difficulties in the settlement of drafts. However, despite this situation, it is interesting to note that a good percentage of the collections remain on a fair basis.

This chart shows graphically collection conditions in twenty-one Latin-American countries at five different periods. The scale numbers are based on the percentage of reports of prompt collections for each country during each survey.



debt: the vicious vortex

by BRADFORD B. SMITH
Cleveland Trust Company

THE war transformed the United States from the greatest debtor nation in history to the largest creditor nation in history. This metamorphosis was effected through the huge war and post-war reconstruction demands of belligerents for high priced commodities. We supplied those demands. Contrary to the ordinary course of international trade these huge exports were not counterbalanced by a corresponding volume of imports. The difference between them was not only unable to extinguish our former indebtedness to European countries, but also to bring them into our debt on a scale never before witnessed.

The only practical way for these debts ever to be paid off is, of course, for the United States to become a net importing nation. Such a development, however, finds sturdy opposition in our long established tradition favoring an export balance, a tradition well buttressed by high protective tariffs. Furthermore some rather serious and perhaps severe realignments in the production-consumption habits of the western world would have to be effected before we could gracefully assume the role of a net importing nation. Nevertheless the dictates of economic law cannot be defeated, however they may be deferred.

The pressure of economic circumstance is potent if not patent. For a whole decade we have deferred accepting the economic consequences of being a tremendous creditor nation by making huge, new foreign loans as the due dates of old debts approached. In short, we have deferred the economic pressures incident to being paid back by not being paid back, by keeping the debts alive with a constantly renovated vigor. It now seems that the consequences have finally caught up with us.

Left to itself the normal foreign interchanges involve a shipment of gold from debtor to creditor nation to settle balances otherwise not taken care of. Gold exports naturally shrink the banking reserves of the exporting nation and bring about higher interest rates. These higher interest rates tend to attract free

like the maelstrom magnified in fiction our foreign loans are whirling debtor nations 'round and 'round and down . . . down toward ruin or repudiation

international investment funds and thus check gold movements.

Protracted gold exports not so counterbalanced, however, keep interest rates high and bring credit pressure upon the exporting nation which in turn tends to force down commodity prices. The opposite train of developments takes place in the creditor country importing the gold, eventually resulting in higher commodity prices. With the price differential established, the flow of goods from the cheaper markets to the dearer markets is stimulated while the reverse flow is depressed. Thus the creditor nation achieves an importing status, in which debt payments are received in goods or services.

Three devices have deferred the working out of these processes: First we have made large, new loans to Europe. Intergovernmental loans were being paid off according to funding agreements, it is true. But new private loans were made at a far greater rate by floating foreign bonds in our markets. Second, the imports of gold into this country were partially sterilized so that they would not exert their full influence in inflating commodity prices, an accomplishment for which the Reserve Banks can be given the credit. Third, we have erected higher and ever higher tariff barriers which require a wider price differential before imports will flow over the wall. The failure of any of these preventatives would be the signal for the normal economic processes to commence their grinding. This has now happened.

Our loans to Europe have shrunk from a rate of well over a billion dollars a year to zero. This has initiated a peculiarly vicious spiral which has been rapidly spinning European debtor nations towards insolvency and repudiation. During most of the past decade European interest rates have been higher than ours. This meant that there was

considerable incentive for foreign borrowers to float loans in this country and a similar incentive for investors to seek out the higher returns available in foreign investments. These ventures were for the most part successfully concluded.

But, in 1928 and 1929, interest rates rose in this country to exceedingly high levels in response to the demands of a stock-hungry public. Investors then found more profitable returns for their money in our own call loan market. The stock market effectively outbid the foreign borrowers. The sequel was naturally a sharp reduction in the volume of funds loaned and invested in foreign securities.

With the shrinkage of loans to Europe, the constant payments on debt accounts due to this country compelled gold to flow from debtor to creditor nation. In fact a very close correspondence between gold movements and foreign loans may be observed. Foreign capital flotations in this country reached their first important post-war peak in late 1924 and 1925. An annual rate of approximately one and one-third billion dollars was attained. As a result the gold import movement was for the first time in five years reversed. The year 1925 showed a net gold export from this country. But with the shrinkage of loans in the next year to a rate of about one and one-tenth billions, gold imports once more exceeded exports. From that time on until the middle of 1928 foreign loans mounted rapidly, spurred on by a deliberately easy money policy of the Reserve Banks. In this period gold movements were again reversed and this country lost through exports approximately one-ninth of its gold stock.

Beginning with the middle of 1928 foreign loans shrank rapidly because of our high interest rates, and gold imports recommenced. Our gold stock has now

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1931



low interest rates encouraged foreign loans . . . gold importation began . . . credit stringency became acute . . . commodity prices declined . . . underlying value decreased . . . interest rates rose higher . . . 'round and 'round and down, a disquieting maelstrom of fact

effective in holding stable or lifting our price level, rather than placing the onus of the readjustment entirely upon the shrinkage of values in foreign countries, for in that direction lies repudiation; it now appears that the Reserve Banks are moving in that direction. Finally we should expect none of these trends to experience important interruption until (a) an import balance somewhere nearly adequate to cover foreign debt service is gradually established, or (b) until sufficient foreign financial and price stability has been achieved to encourage revival of foreign lending and thus once again defer debt service or (c) until debts are paid off by bankruptcy and repudiation, for which the polite term is cancellation.

The readjustment of international trade and service must necessarily be slow and tortuous, for it involves pressures and stresses upon importing and exporting industries which can find but slow evaluation, often interrupted by political action in the form of tariffs, subsidies and farm boards. So the hope for immediate relief through the first alternative seems small.

The hope for restoration of financial stability and commodity price steadiness leading to a resumption of normal foreign lending and investing, now lies more in the field of politics than in economics. Of outstanding importance is the moratorium. It is important because it in reality means the resumption of foreign lending, the loans being the amounts owed. Even the interchange of central bank support and assistance has something of a political aroma. The hope for solution by debt cancellation or reduction seems good. The difficulty here is that the bulk of the debts have during the past ten years been changed from state debts to private debts, and reduction of a diplomatic nature applies only to the former. For the cancellation of private debts, however, there is ample precedent.

This country in the early days of its development, on several occasions, serenely repudiated debts owed abroad, either officially or through the technique of extinguishing the values behind foreign investments in this country. Perhaps we are further to be initiated into the role of a creditor nation by taking

(Continued on page 40)

reached higher levels than ever before attained by any nation. Gold is now being imported at approximately the rate of a third of a billion a year. In recent months there have been practically no foreign capital flotations in our markets.

This flow of gold out of foreign countries and into our own has engendered considerable financial stress abroad. It resulted in high interest rates and credit stringency. Declines in foreign security prices and commodity prices were initiated as the inevitable consequence. The decline in commodity prices introduced an exceedingly serious element into the picture, for the underlying values supporting foreign loans and investments previously made were endangered. Investors therefore became interested more in rescuing past commitments than in making new ones. The element of yield return on foreign investments was submerged in risk considerations. The reduction of foreign loans, which tend to counterbalance debts payments, calls forth, of course, still further gold transfer. Further gold movements developed even greater pressure on foreign

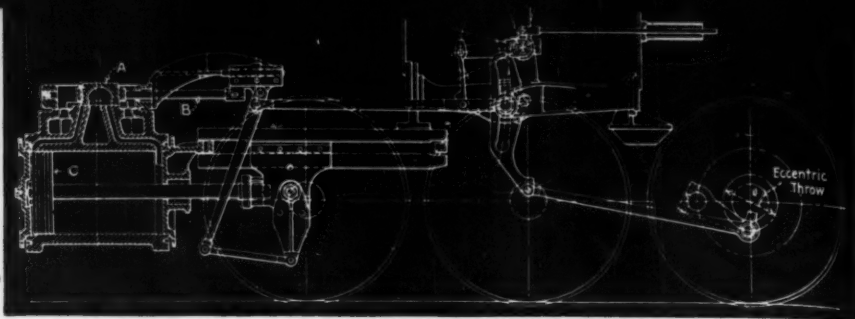
security and commodity price levels, further, in turn, imperilling the values behind foreign investments and further intimidating the would-be investor in foreign securities. And so the spiral spins its vicious downward course.

The most important influence for alleviating and modifying the compulsion behind international debt payments has spun itself out of the picture. The United States is no longer making foreign loans and thus relieving the pressure on debt service, at the very time when depressed business conditions would make that relief most important.

With this element now out of the picture we would expect gold movements to this country to continue; they are. We would expect foreign interest rates generally to be at high, crisis levels, compared with ours; they are. We would expect foreign commodity price levels to be receding somewhat more rapidly than ours, with due regard to exchange rates; they are. We would expect our commodity imports to hold up better than our exports; they are. We would hope that the gold flowing to our shores would be released to be

the slide valve A, moved forward and back by the rod B, releases the steam pressure against the face of the piston (exerting a "push") . . . then against the back of the piston (exerting a "pull")

© Locomotive Encyclopedia, 1930.



by M. L. TOULME, Secretary,
National Wholesale
Grocers' Association

HARDLY more than a decade ago the wholesaler with a long pocketbook and efficient buyers lived on the top of the hill. He scoured the four corners of the earth for goods and he was as shrewd a trader as Eugene O'Neill's Marco Polo. The world paid him handsomely. Bankers competed vigorously for his commercial paper and true to his genius the wholesaler established his obligations as prime investments in the financial marts. So substantial was his position that the banker actually classified wholesaling, as an entire trade, as worthy of not only special service but preferred interest rates.

Food is fundamental. It is our largest business, employs the most people, and all of the fancy schemes for circumventing the laws of human nature, trade, and physics that have been hatched in the minds of men have been tried first in the food business. It is only after failure or success has been achieved in the grocery business that other wholesalers are confronted with fantastic reforms, or what seem so to the realist.

Almost immediately after the World War it was apparent that the wholesale grocer was confronted by conditions that appeared to be insoluble. It must be remembered that America had been conventionalized and standardized to a degree only possible among a zealous people that exults in the game of "Follow the Leader." Americans had been taught by superorganization and the most shrewd propaganda not only what to eat but how to trade from the standpoint of national economy at that particular time. The new habit of cash-and-carry was inspired by a fervor almost evangelical.

Not only were the wholesale grocer and his customer, the retail grocer, subject to a new type of competition but the almost instant success of the corporate and mass distribution form of competition made available, apparently, unlimited funds for expansion by the

consumer advertising pushes the consumer toward the product....cultivation of the dealer pulls the product through channels thus established to the consumer

sale of more and more stock.

In addition, an era was introduced, or at least gaining strength rapidly, of concentration in production, accompanied by standardization and lavish advertising. Costs of doing business could be and were ignored for the time being. The good-will, welfare or profits of comparatively modest purchasers, as represented by the independent wholesale and retail grocers, were tossed out of the window without ceremony. I report actions not words.

Add to this background a period of oncoming years of hectic prosperity and boom and I feel you have a sufficiently complete picture to imagine for yourselves the dilemma and chaos that beset the wholesaler. By experience and through years of organization, he was trained in all the intricacies of buying. Suddenly he was confronted with the necessity of doing a right-about-face and fitting into a scheme that emphasized selling. Foods were to be sold in packages in accordance with the preferences of the customer. Costs were forgotten. The merchant and the consumer were temporarily stampeded by the guile of high-pressure salesmanship or the power of national advertising.

Autocracy, whether in war or trade, usually strikes first and with such force as to appear irresistible. Democracy is usually unprepared, easily confused, but in time it gathers its strength, and, after putting its house in order, comes back.

I am glad to report that insofar as the grocery business is concerned that the tide has turned definitely, and I believe

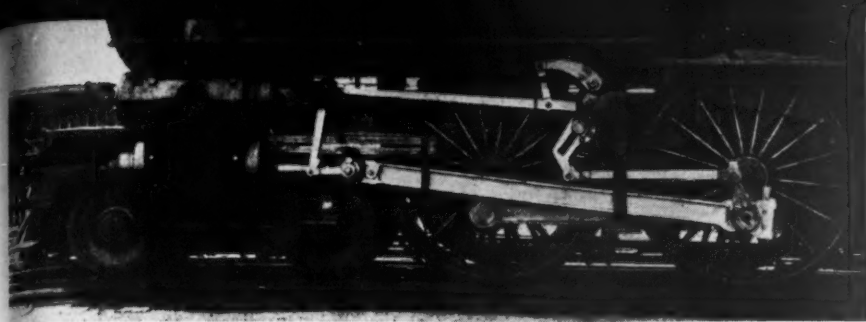
finally, until economic conditions again permit and encourage such sprees as America experienced following the World War.

Booms inflame the imagination; depression stimulates the brain.

The wholesale grocer who did not give up and who today is showing reasonable profits first centered on a study of his own cost of doing business. Those who had developed, to a high degree, their own private brands and merchandising systems found that their costs of doing business as combined manufacturer and wholesaler were hardly half the charges the regional or national advertising manufacturer was compelled to load on to his products.

This type of wholesale grocer found that by packaging and judiciously advertising his own brands, by taking full advantage of the natural good-will of his retail grocer customers and by maintaining his quality, that he could move many foods from producer to consumer at a profit to himself and to his retail grocer, and meet or undersell the manufacturer's products that were burdened with an overhead, that added to the original costs of manufacture, the expense of advertising agencies, advertising mediums, bankers, guarantees against price declines, specialty men, high-pressure selling, free deals, advertising allowances and other costly paraphernalia of modern distribution.

The wholesale grocer who was compelled, by force of circumstances, or elected to continue to distribute manufacturers' goods in competition with other wholesale grocers and with other outlets that were frequently favored as to price, at least, by the manufacturer,



the double action of the steam cylinder, known as "push-pull" drive, is the basis of locomotion in merchandising as on the rails

distribution

was in a most cruel position. He found, however, that his costs of doing business could be reduced, that he could find out what his costs of doing business were by commodities, by salesmen and by customers and in most instances he has not only weathered the storm but is doing a satisfactory business. Others were attracted by the cash-and-carry method of wholesaling and a large number of wholesale grocers report very satisfactory results operating on unbelievably low costs.

But after the individual wholesale grocer's own house had been put in order and costs of doing business had been reduced to 20 to 25% by skillful management, it was found that something was still lacking. The retail grocer, the main reason for the existence of the wholesale grocer, was in distress or was rapidly losing the respect of the consumer. His costs of doing business were too high, his methods of merchandising were antiquated and the physical form of his store required complete overhauling.

The individual retail grocer had entirely overlooked the feminization of America. In the old days he had operated a store where the men of the neighborhood gathered to talk politics, argue, and make their purchases.

However, as cities grew and the tempo was speeded up and the feminine movement developed with astounding rapidity, women took over the buying for the household. We know now that women control practically all the buying for the home today. And we know or ought to know that women are quite different from men. They like "nice" things because they are "nice." They are born shoppers. They buy not on the basis of friendship but upon service, apparent bargains, and appearances of the store and storekeeper.

At the same time it became evident that national advertising and high-pressure salesmanship were not producing

the miracles promised by overly enthusiastic advisors who were urging manufacturers to advertise and let dealer good-will and dealer profits take care of themselves. It was found that the dependable, alert and intelligent retail grocer possessed the power to direct the purchases of his customers almost completely.

One survey indicates that despite the millions and millions that have been spent to create "consumer demand" that the best that has been achieved is, generally speaking, only "consumer acceptance." It is reliably reported after another painstaking study that less than 35% of the consumers "demand" certain brands. In other words, two times out of three the retail grocer who realizes his responsibility and is fair and tactful can dominate the sales in his store.

Wholesale and retail grocers have, therefore, done the obvious thing. They have pooled their assets. The retail grocer has enormous influence over consumer purchases. The wholesale grocer is an expert buyer, he can extend credit and he can advise his retail grocers regarding store layout, stocking and merchandising principles. By organization and employment of expert advice he can teach the retail grocer how to satisfy and meet the demands of Her Ladyship.

The chain store, to its credit, was first to cater to the modern woman as she wants to be served. It used odd-cents in pricing, staged gorgeous "specials," operated a spic and span store, and above all else, tore out the counters and let her roam about the store at will among tempting foods. It also required personal cleanliness of its clerks, white aprons, and courtesy in addition to selective and added-item selling.

Wholesale and retail grocers, confronted with these realities were

thoroughly convinced of the facts and action has followed. It is quite likely that not less than 80,000 independent retail grocery stores have modernized in the past few years and adopted the open display store layout, advertising, prompt adjustments to commodity fluctuations, specials, odd-cent pricing and other plans. It is also reported reliably that no less than 60,000 retail grocers have joined with their wholesalers in voluntary cooperative groups where the effort is made together to achieve the lowest costs of operation, both wholesale and retail, and at the same time to master the mysteries of modern merchandising.

Other wholesalers and retailers questioning the wisdom, for one reason or another, of the contractual relationship have been aggressive in devising and executing elaborate sales plans that involve intensive but mutually profitable and helpful selling of special commodities or particular brands. Thousands of retail grocers have improved their status and their businesses as a result. It is interesting to note that wholesale grocery salesmen were originally called "Traveling Men." Later they were referred to as "Traveling Salesmen." Today the wholesaler says he is sending out "Merchandising Men." These changing designations tell the story of a revolution.

In 1930, a year of almost continuous and severe depression and falling prices, the Federal Reserve Board reports that the dollar value of wholesale grocer's sales fell off only 6 per cent. Retail grocers, it is reported, enjoyed sales, in dollars only three per cent less than in 1929, a boom year.

Some may assume that these new relationships are marriages of convenience only. Perhaps they under-estimate the part economics play in making wedlock permanent.

In order to answer completely any charge of a conspiracy of optimism regarding the future of the wholesaler, permit me to quote from an article written by Mr. Reavis Cox, Food Editor of the *Journal of Commerce*:

(Continued on page 47)

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1931

nation-wide collection and sales conditions

what they are at present
the outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. This survey is based upon reports from large cities throughout the country that are trade centers for their surrounding areas. The reports are the results of the daily experience of the leading wholesaling and

manufacturing concerns operating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in

each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Slow	Slow		Flint	Slow	Slow
Ariz.	Phoenix	Slow	Slow		Grand Rapids	Fair	Fair
Ark.	Ft. Smith	Fair	Fair		Jackson	Slow	Slow
	Little Rock	Slow	Slow		Lansing	Slow	Fair
					Saginaw	Fair	Fair
Cal.	Los Angeles	Fair	Fair	Minn.	Duluth	Fair	Fair
	Oakland	Slow	Slow		Minneapolis	Fair	Fair
	San Francisco	Fair	Fair		St. Paul	Fair	Fair
Colo.	Denver	Fair	Fair	Mo.	Kansas City	Slow	Slow
	Pueblo	Fair	Fair		St. Joseph	Slow	Slow
Conn.	New Haven	Fair	Fair	Mont.	Billings	Fair	Fair
	Waterbury	Slow	Slow		Great Falls	Slow	Fair
D. C.	Washington	Fair	Fair		Helena	Good	Fair
Fla.	Jacksonville	Slow	Slow	Neb.	Lincoln	Fair	Slow
	Tampa	Fair	Slow		Omaha	Slow	Slow
Ga.	Atlanta	Fair	Fair	N. J.	Newark	Slow	Fair
	Macon	Slow	Fair	N. Y.	Albany	Fair	Fair
	Savannah	Slow	Slow		Binghamton	Fair	Fair
Idaho	Boise	Fair	Fair		Buffalo	Fair	Fair
Ill.	Galesburg	Fair	Slow		Elmira	Fair	Fair
	Peoria	Slow	Slow		New York	Fair	Fair
	Rockford	Fair	Slow		Rochester	Fair	Fair
	Springfield	Fair	Fair		Syracuse	Fair	Fair
Ind.	Evansville	Slow	Slow		Utica	Good	Fair
	Indianapolis	Fair	Fair	No. Car.	Charlotte	Fair	Slow
	South Bend	Fair	Fair	No. Dak.	Fargo	Fair	Fair
	Terre Haute	Good	Fair		Grand Forks	Fair	Fair
Iowa	Burlington	Fair	Fair	Ohio	Cincinnati	Fair	Fair
	Cedar Rapids	Fair	Fair		Cleveland	Fair	
	Davenport	Fair	Slow		Columbus	Slow	Slow
	Des Moines	Slow	Fair		Dayton	Slow	Fair
	Ottumwa	Fair	Fair		Toledo	Slow	Slow
	Sioux City	Fair	Fair		Youngstown	Slow	Slow
	Waterloo	Fair	Fair	Okla.	Oklahoma City	Slow	Slow
Kan.	Wichita	Fair	Fair		Tulsa	Fair	Fair
Ky.	Louisville	Fair	Fair	Pa.	Allentown	Slow	Slow
La.	New Orleans	Fair	Fair		Altoona	Slow	Slow
	Shreveport	Slow	Slow		Harrisburg	Fair	Fair
Md.	Baltimore	Fair	Fair		Johnstown	Slow	Slow
Mass.	Springfield	Good	Fair		New Castle	Slow	Slow
	Worcester	Fair	Fair		Philadelphia	Fair	
Mich.	Detroit	Slow	Slow		Pittsburgh	Fair	Fair
					Scranton	Fair	Fair
					Wilkes-Barre	Slow	Fair

State	City	Collections	Sales	State	City	Collections	Sales
R. I.	Providence	Slow	Slow	Wash.	Bellingham	Slow	Fair
So. Dak.	Sioux Falls	Slow	Slow		Seattle	Fair	Slow
Tenn.	Chattanooga	Fair	Fair		Tacoma	Fair	Fair
	Memphis	Slow	Slow	W. Va.	Bluefield	Slow	Fair
Tex.	El Paso	Fair	Slow		Charleston	Fair	Fair
	Fort Worth	Slow	Slow		Clarksburg	Fair	Fair
	San Antonio	Fair	Fair		Parkersburg	Slow	Fair
Utah	Salt Lake City	Slow	Fair		Wheeling	Slow	Slow
					Williamson	Slow	Fair
Va.	Bristol	Fair	Fair	Wis.	Fond du Lac	Slow	Slow
	Norfolk	Fair	Fair		Green Bay	Slow	Slow
	Richmond	Slow	Fair		Milwaukee	Fair	Fair
	Roanoke	Slow	Fair		Oshkosh	Slow	Slow

■ ■ comments on collections and sales conditions ■ ■

CALIFORNIA: San Francisco reports collections holding up well, and a noted improvement in retail sales and building lines.

COLORADO: Collections and sales throughout Denver show a slight improvement, which of course, tends to create an optimistic outlook for the future.

FLORIDA: Conditions continue slow due to the summer season, but the future outlook is bright.

KANSAS: No improvement in collections and sales due to unfavorable weather conditions and low prices.

KENTUCKY: Business conditions in Louisville are on the upward trend. A plan is now under way for reopening the Louisville Title Company which of course follows the opening of the Louisville Trust Company on August 24, 1931.

LOUISIANA: Retail and wholesale sales and collections in North Louisiana, Northeast Texas and Southwest Arkansas continue slow and with little or no improvement in sight. The price of cotton continues downward and with most cotton growers already owing more than the cotton would bring we have a sorry situation. Unemployment is really on the increase. The cause of a 1932 holiday on cotton raising which many think would help, seems lost. We are thankful, however,

for a good feed crop.

MASSACHUSETTS: Western Massachusetts, Vermont, Worcester County and surrounding districts have climbed from slow to good in collections and advise that sales have improved within the last three weeks which will, of course, tend to relieve the unemployment situation, as additional help is being taken on.

MINNESOTA: From Minneapolis

we have advice to the effect that strange as it may seem comments indicate collections are better than fair. Buyers continue to purchase current needs, and are finding the money to take care of purchases, and at the same time are reducing their debts. There is a slight decrease in sales.

OHIO: Cincinnati reports a slight increase in sales since September 1.

However, Youngstown reports sales about the same as they have been for the past ninety days. No material change is noted in collections throughout Youngstown for the past sixty days, nor is there a bright outlook for the near future.

PENNSYLVANIA: Collections and sales throughout the state of Pennsylvania average from Fair to Slow. It is reported that the Pennsylvania Railroad Company is working three to four days each week.

SOUTH DAKOTA: The collections and sales in Sioux Falls are from twenty to twenty-five per cent. under those of 1930.

TEXAS: Fort Worth advises that business conditions are 'spotty' and the hot weather is affecting the retail sales of all lines of clothing.

VIRGINIA: Sales are fair in Bristol, but a few lines are putting on additional help and many companies that have been closed for several months are opening.

changes since last month's survey

State	City	Collections	Sales
Arizona	Phoenix		Fair to Slow
California	Oakland	Fair to Slow	Fair to Slow
Connecticut	Waterbury	Fair to Slow	Fair to Slow
Florida	Tampa	Slow to Fair	Fair to Slow
Illinois	Galesburg		Fair to Slow
	Rockford	Slow to Fair	
	Springfield	Good to Fair	
Indiana	Evansville	Fair to Slow	
	Indianapolis		Slow to Fair
	South Bend	Slow to Fair	Slow to Fair
Iowa	Davenport		Fair to Slow
Massachusetts	Springfield	Slow to Good	Slow to Fair
	Worcester		Good to Fair
Michigan	Detroit	Fair to Slow	
	Lansing		Slow to Fair
	Saginaw	Slow to Fair	Slow to Fair
Minnesota	Duluth	Slow to Fair	
Missouri	St. Joseph	Fair to Slow	
Montana	Helena		Good to Fair
Nebraska	Lincoln		Fair to Slow
New York	Utica	Fair to Good	
North Carolina	Charlotte		Fair to Slow
Ohio	Cleveland	Slow to Fair	
	Columbus	Fair to Slow	
	Dayton		Slow to Fair
Oklahoma	Tulsa	Slow to Fair	
Pennsylvania	Harrisburg	Slow to Fair	
	Johnstown	Fair to Slow	Fair to Slow
	Scranton	Slow to Fair	Slow to Fair
Rhode Island	Providence		Fair to Slow
South Dakota	Sioux Falls		Fair to Slow
Tennessee	Chattanooga	Slow to Fair	
Texas	El Paso		Fair to Slow
Virginia	Richmond	Fair to Slow	
Washington	Bellingham	Fair to Slow	Slow to Fair
West Virginia	Wheeling		Fair to Slow

"this month's collection letter"

Mr. John Doe,
Bx. 280
Harris, Minn.

Dear Sir:

CHARACTER
CAPACITY
CAPITAL

The Three "C's" of Credit

When we first accepted your order for magazines, we credited your personal account with the three tangible assets listed above.

Today we are in need of a fourth—"C"—a check taking care of your account which today, less all returns, amounts to \$5.89. Let us credit you with that too.

Yours very truly,

MIDWEST DISTRIBUTORS, INC.

CONWAY BOLSTAD,

Asst. Treasurer

CB/M

We present our fourteenth "This Month's Collection Letter". It is unique and effective and an example of good collection letter thinking.

What the country needs is more good collection letters. Their importance in helping pull business out of a depression and then keeping it out is greatly underestimated. There is no short cut to profits as certain as collection letters that do their job.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering and which will later be presented to readers of CREDIT and FINANCIAL MANAGEMENT.

■ This month's presentation in our model collection letter series brings to our readers a contribution by Conway Bolstad, Assistant Treasurer of the Midwest Distributors, Inc., of Minneapolis. Although used by this firm in its specialized line of work—magazine distribution, this letter is directly applicable for collection purposes of almost any line. Its layout and make-up strike the attention at first glance. In fact it may be said that the three words "Character, Capacity and Capital" direct the attention of the readers at once to themselves and draw his eye into the body of the letter, by that path rather than the more conventional en-

trance by means of the name, address and salutation.

In forwarding this letter, Mr. Bolstad remarks that "Character, Capacity and Capital are the real basis for credit extension on any account but we doubt if it has ever occurred to or been brought forcibly enough before the ones securing credit. Suppose the debtor should know that on the basis of his character, capacity and capital he has been extended credit. He would feel, we believe, in a large measure honored. He would feel that we have credited him with these three very important

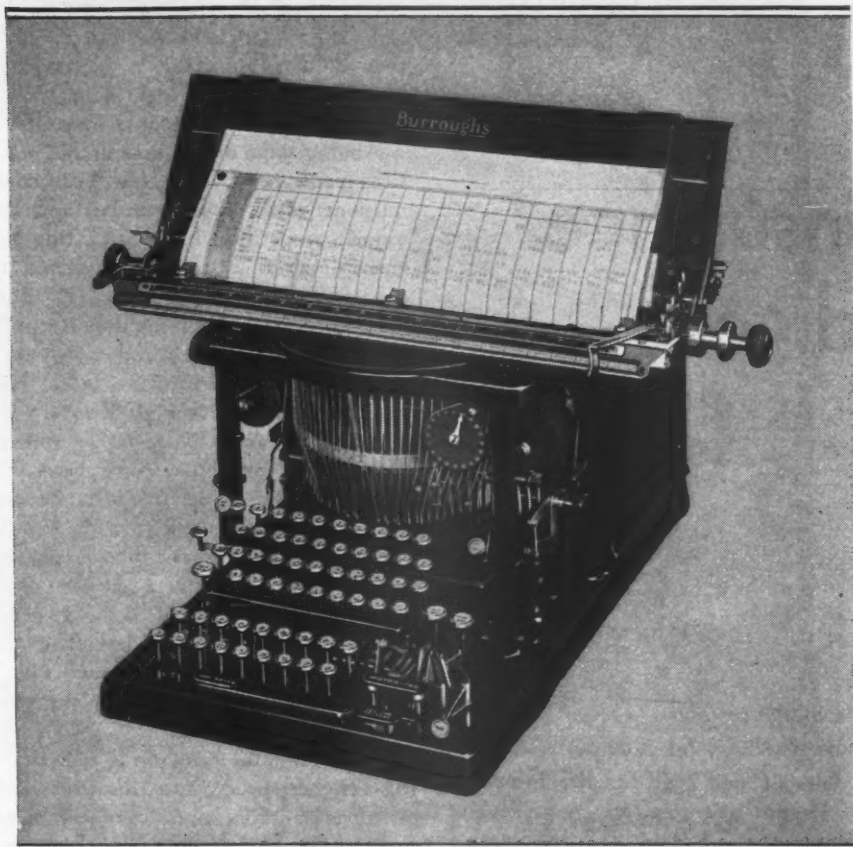
assets. It is with this in mind that we have incorporated these words in our letter which has brought very fine results. Because it tells the debtor what we are crediting him with and because of the novel way in which the remittance is asked for it is easy for him to send it in. What do you think of it?"

We think a lot of it Mr. Bolstad—and it is all favorable.

CREDIT and FINANCIAL MANAGEMENT OCTOBER, 1931

Burroughs

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insurance digest

inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

life insurance sales show relative gains

Sales of new paid-for life insurance in August were 9.6 per cent. less in volume than in August last year, according to the monthly report of the Association of Life Insurance Presidents to the United States Department of Commerce. This is described as relatively the most favorable showing made since February, and compares with a decline of 17.1 per cent. in July from the total of the same month last year, and an average decline of 12.6 per cent. for the first eight months this year.

insurance executives organize for reforms

Organization of an association of insurance executives to bring about reforms in insurance practices was effected almost simultaneously with a warning, uttered by George S. Van Schaik, Insurance Commissioner of New York, before the national convention of insurance commissioners in Portland, Ore., that unless the insurance business cleans house, drastic regulations will be imposed on it by the states. Mr. Van Schaik said:

"If practices complained of were illegal by statute, a commissioner could assume the rôle of sheriff, and make short shrift in cleaning the deck. Forcible enforcement of law has never succeeded, however. Real enforcement

comes from organized self-control. The evils of the insurance business, which are many and widespread, could be tremendously reduced over night by the concerted action of the insurance companies. If they have the will to do it, they can do more than any legislation, no matter how drastic. Yet if they do not exert the power they do have, it is clear that legislation, radical and sweeping, will become inevitable."

Among some of the undesirable practices mentioned by the New York commissioner were those of unfair and unsound competition by rate cutting between companies that have agreed to maintain standard rate schedules. Rate cutting developed during boom times, said Mr. Van Schaik, and now when the values of securities are falling the practice of rate cutting is seriously affecting company incomes.

Fire insurance rates have been cut by the extension of fire insurance under a transit or inland marine policy, thus misclassifying the business, continued the commissioner. Other forms of violation consist of writing three and five year policies at less than the required multiples of the annual rate.

Extension of coverage beyond that provided in the rating rules, the writing of minimum rates on a risk bearing a higher specific rate, discounts and other undesirable practices also were mentioned. As a result of these undesirable practices insurance companies find it necessary to become niggardly in the payment of losses and the public pays the bill, Mr. Van Schaik declared. He asserted that not only the public interest in avoiding waste but public concern in company stability demands the correction of the situation.

a new retirement annuity announced

The announcement of a new retirement annuity by the Connecticut General was an important feature of the company's convention at Bigwin Island. In announcing it, Actuary E. C. Henderson said "We must not overlook the fact, in considering the old age problem, that there will always be an inexhaustible supply of individuals who are not protected against old age under some cooperative group annuity or similar plan The three essentials of a perfect retirement plan—systematic saving, security and restricted use of principal after retirement—can be provided best by life insurance companies."

The new contract is written to provide automatically a retirement income

at age 65 for men and age 60 for women, but the annuitant at any time before receiving the first income payment may elect any other age between 50 and 70 for retirement. Automatic retirement at 65 or 60 is by means of a regular life annuity under which all benefits terminate immediately on death occurring after the income commences. Before receiving the first income payment, however, the annuitant may elect a refund annuity instead of a regular life annuity.

This refund annuity provides an income for life and in addition, in event of early death after income payments commence, continues the income to the beneficiary until the total income paid to the annuitant and beneficiary amounts to the cash value available to the annuitant at the retirement age. If a different retirement age from 65—or 60—is selected, the annuitant may also choose between the regular life annuity and the refund annuity. The income provided is payable monthly, the due date of the first payment being the contract anniversary nearest the retirement age selected.

The contract is based upon a unit annual premium of \$100 regardless of sex or age. The premium is payable each year until the retirement age. The "minimum policy which will be issued is one requiring an annual premium of \$25. Premiums may be paid semi-annually, quarterly, or monthly, provided each instalment payment is at least \$12.50. The contract will be issued with disability.

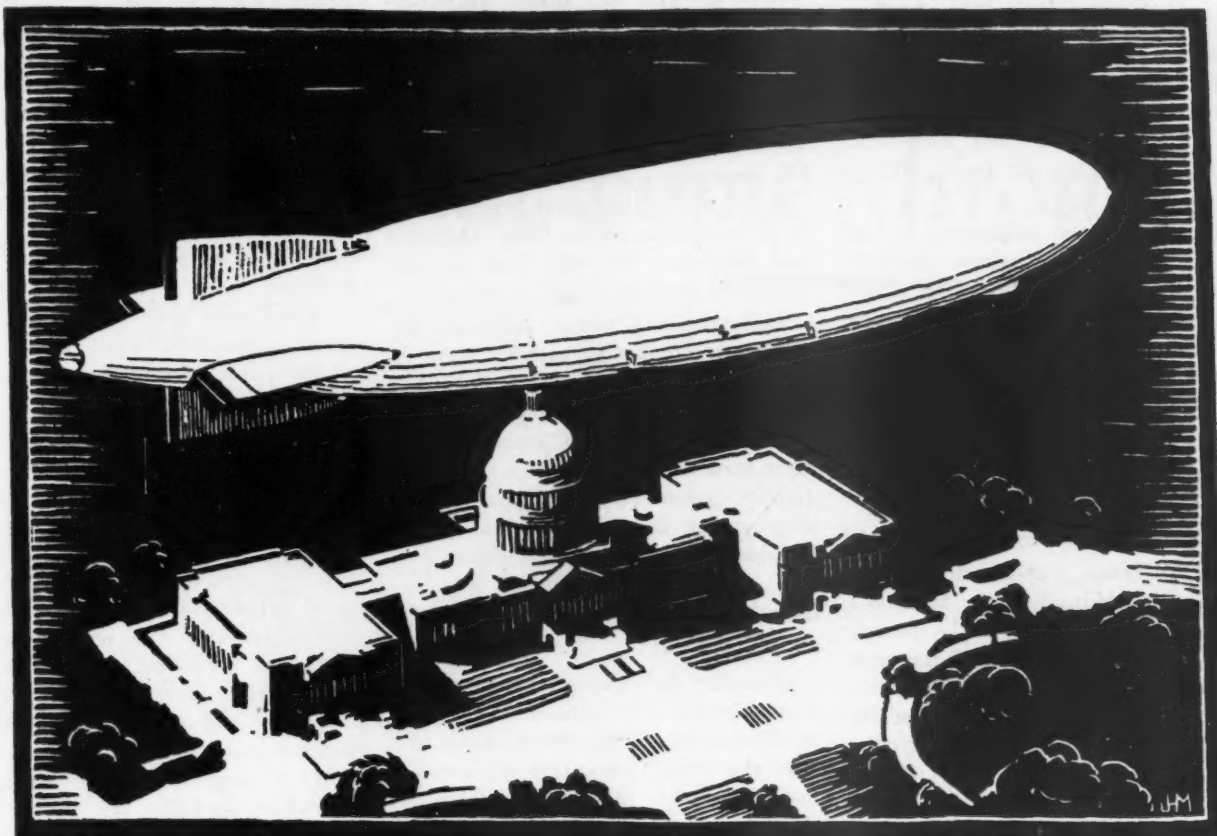
It was also announced at the convention by Secretary Frazar B. Wilde that the company will issue group pension plans. These round out the Connecticut General's program for employees already including group life and group sickness and accident insurance.

1931 group life total payments large

The families of more than 62,000 American workmen will receive this year more than \$93,000,000 as benefits under plans of group life insurance in force among business establishments in this country, according to an analysis of payments by Vice-President B. A. Page of the Travelers Insurance Company. Payments this year exceed similar disbursements last year.

About \$74,000,000 of the payments will be made, according to the statement, as the result of the death of 49,000 workers. The death by accident of 6,000 workers will result in the dis-

(Continued on page 36)



OUT OF THE SKIES—

comes a mighty dirigible. It has crossed oceans, combatted headwinds, outridden storms and come through unscathed. Strength and power scientifically applied and expertly controlled have conquered the air. » The financial strength of The Home Insurance Company of New York has attained an unsurpassed height through the consistent building up of a financial reserve capable of outriding the strain of constantly occurring losses and the occasional heavy burden of conflagration. » Guided by the hands of experienced underwriters the policy of The Home is always safe, sound and dependable. » » » » »

Cash Capital
\$24,000,000.00

Net Surplus
\$36,398,755.35
(Accumulated over 78 years)

Surplus to Policyholders
\$60,398,755.35

Additional Funds
\$38,936,368.00
(Pro Rata Unearned Premiums)

Reserved
for miscellaneous accounts, taxes, dividends,
and other obligations
\$12,754,865.55

Assets
Cash on hand, funds conservatively invested
or current balances payable when due
\$112,089,988.90

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« »

Reputation

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insurances digest

(Continued from page 34)

bursement of \$9,000,000 in benefits, while permanent total disabilities suffered by 13,000 employees will require the disbursement of more than \$19,000,000. Average payments will be \$1,500.

Fully 7,000,000 employees in approximately 30,000 business establishments are insured for ten and a half billion dollars of group life insurance, it is said. Total claims paid since the inception of such plans and including this year are estimated at more than \$440,000,000.

new graded life policy

Peter M. Fraser, vice-president of the Connecticut Mutual Life Insurance Company, announced at the recent meeting of general agents at Pittsburgh that a new graded premium ordinary life insurance policy was being prepared by the company to fit the present-day conditions.

The new policy, according to Mr. Fraser, offers permanent protection for a small initial outlay and is designed particularly for the man who may be temporarily short of funds and long on responsibilities. "The policy will eliminate to a large extent the disadvantages of term insurance and have to be converted," said Mr. Fraser.

He pointed out that the premiums would be graded during the first five years. The first annual premium would be about one-half the fifth, and the second, third and fourth would be proportionately larger, while the fifth and following premiums would be level.

Mr. Fraser stated that double indemnity and disability benefits would be issued with the new policy, as well as any other agreement which is now regularly issued with the ordinary life contract.

Sen. Davis speaks on unemployment insurance

An address by United States Senator James J. Davis, in which he praised the insurance business of the United States, and the election of officers, featured the last day's session of the forty-second annual convention of the National Association of Life Underwriters.

Senator Davis spoke briefly, dealing for the most part with the staunch po-

sition held by insurance companies in this country. "It is the insurance companies of this country which should handle any insurance against unemployment rather than the Federal government," he said, adding:

"Insurance is sold, not bought. It takes time and money to develop able salesmen and it takes real men to sell life insurance. I have in mind the venture of one of the great states which went into the insurance field. The state had insurance for sale, but no one bought it because it had no salesmen."

Unemployment relief insurance by individual companies without state or federal aid was also advocated by the Harrisburg, Pa., unemployment relief conference attended by representatives from seventeen Eastern cities. The conference opposed state and federal unemployment insurance because of its possible tendency toward a "dole."

lapse evils are pointed out

Chandler Bullock, president of the State Mutual Life Assurance Company of Worcester, Mass., after pointing out that the actual percentage of increase in ordinary life insurance in force to the amount paid for each year had been decreasing steadily since 1923, when the percentage of increase of insurance in force to the paid for business of that year was 51.23 per cent, pointed out some remedies for the evils of lapse and surrendering in his address before the National Association of Life Underwriters in Pittsburgh.

He said the annual premium policy is much more persistent than any other form. Policies of definite option settlements were likely to be kept up in preference to a lump sum policy. Small policies go first.

new expense accident policy

The Maryland Casualty Company has announced a new policy, the Expense Accident Policy, especially designed to meet the needs of those wanting a policy which will take care of their expenses in event of injury. It provides no death benefit or weekly indemnity, but pays: (1) the cost of medical and surgical expenses, including doctors and surgeons bills, hospital and nurses expenses, cost of X-rays, ambulance, et cetera. (2) Principal sum payments for loss of limb or limbs or loss of sight of one eye or both eyes, in addition to medical reimbursement. (3) Specified payments for loss of fingers

or toes and for dislocations or fractures, in addition to medical reimbursement.

The policy covers all accidents no matter where they occur—at home, in automobiles on the street or elsewhere, but if a person already carries Accident Insurance providing similar medical reimbursement, he cannot carry another policy of this form.

In the case of a man and his wife, each of them may be issued a policy. The policies are sold with varying amounts of reimbursement and various principal sums. Thus with \$5,000 principal sum the assured may purchase either \$500, \$1,000, \$1,500, or \$2,000 reimbursement insurance.

conference on fire prevention

The National Fire Waste Council, which is affiliated with the Chamber of Commerce of the United States and which is composed of twenty-one national organizations and four governmental bureaus met in Washington, D. C., on September 24 and 25, discussing the current fire prevention problems. The council and the national chamber co-operated in mapping out a course of action in furtherance of fire prevention work for the coming year.

—JOHN HANCOCK SERIES—

PARTNERSHIP CREDIT

INASMUCH as the death of a partner automatically dissolves a partnership, creditors can force their claims for settlement at once. When it is remembered that *any* partner is liable for *all* the debts of the partnership, it can be readily seen that a partner's dependents are vitally affected by such an occurrence.

Business Life Insurance can be carried by the firm for the reinforcement of credit against such a situation. For further information regarding its uses address:—

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LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

197 Clarendon St. Boston, Mass.

Please send information on partnership credit.

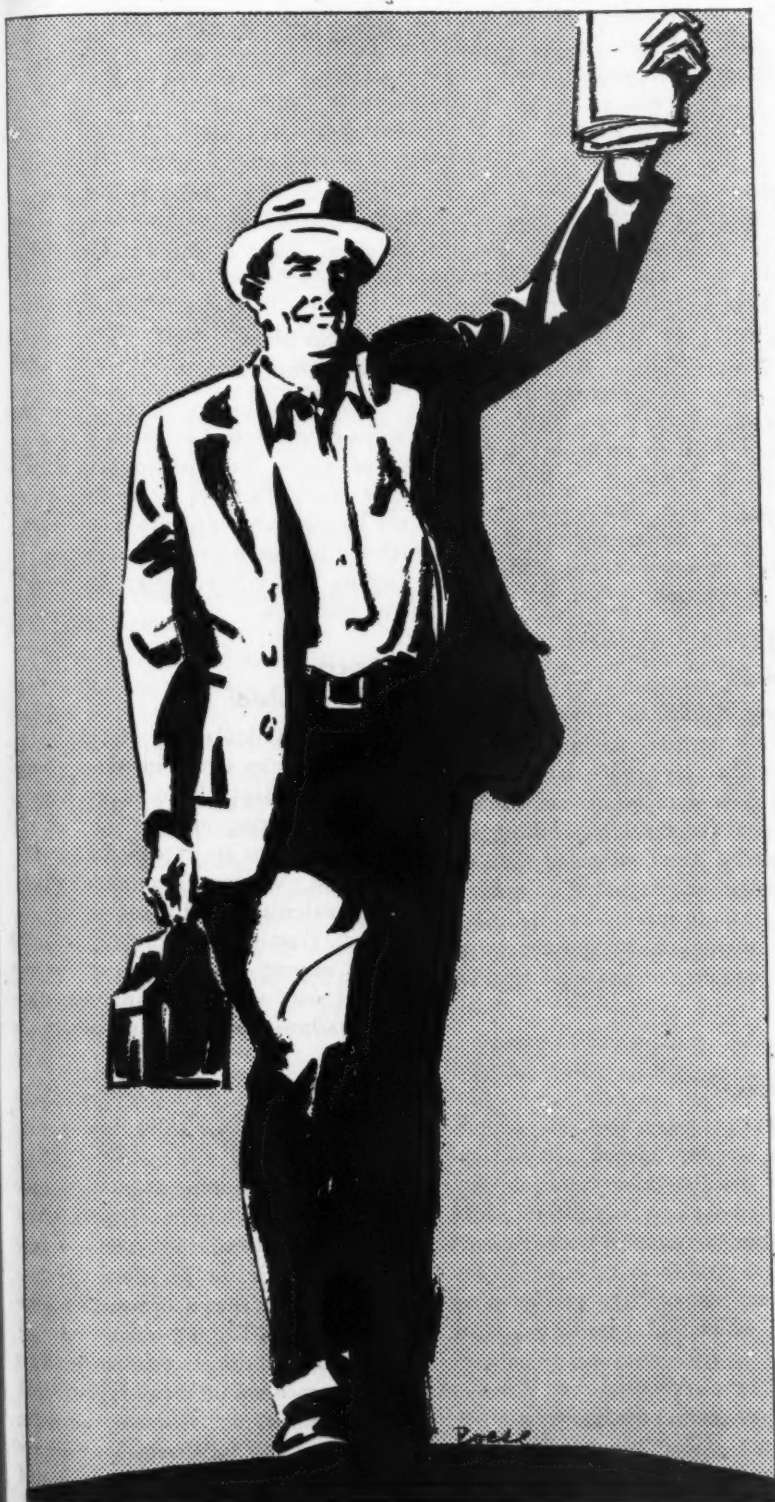
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Though faced with unemployment, he is combating adversity with courage. He has retreated step by step, but fighting. He has spread his slender resources as far as they will go.

This winter he and his family will need your help.

There are many other heads of families much like him in the United States. This winter all of them will need the help of their more fortunate neighbors.

This is an emergency. It is temporary. But it exists. It must be met with the hopefulness and resource typical of American conduct in emergencies.

Be ready! Right now in every city, town and village, funds are being gathered for local needs—through the established welfare and relief agencies, the Community Chest, or special Emergency Unemployment Committees . . .

The usual few dollars which we regularly give will this year not be enough. Those of us whose earnings have not been cut off can and must double, triple, quadruple our contributions.

By doing so we shall be doing the best possible service to ourselves. All that America needs right now is courage. We have the resources. We have the man power. We have the opportunity for world leadership.

Let's set an example to all the world. Let's lay the foundation for better days that are sure to come.

*The President's Organization on
Unemployment Relief*

WALTER S. GIFFORD

DIRECTOR

Committee on Mobilization of Relief Resources

OWEN D. YOUNG

CHAIRMAN

The President's Organization on Unemployment Relief is non-political and non-sectarian. Its purpose is to aid local welfare and relief agencies everywhere to provide for local needs. All facilities for the nation-wide program, including this advertisement, have been furnished to the Committee without cost.



in the modern office

an idea and experience exchange on equipment, system and management in the modern credit and business office.

telephonic business aids

A code calling system, an arrangement for calling to the nearest telephone anyone away from his office or desk, telephonic typewriters which instantly transmit written messages between two or more points are among the business aids offered by telephone engineers. In this connection, it might be pointed out that the so-called Continental or flat type of telephone instrument is not a mere vanity item. Apart from the greater convenience of this type instrument, it is reported to offer better reception and transmission facilities than the standard type.

Maxim-Campbell silencer—air filter

In our last issue we announced the Maxim Window Ventilator. The correct name is Maxim-Campbell Silencer and Air Filter Unit. The silencing and filtering unit is the joint product of Harry E. Campbell, inventor of Campbell Windows, and Hiram Percy Maxim, inventor of the Maxim Silencer. The Maxim-Campbell unit is contained in a metal box 10" high and 12" deep (width to fit window in which used) that rests on the sill of the window. It is connected to a base plug and, by simply switching on the current, the unit draws in outside air, filters it through a prepared filtering material, and directs the air current to the floor. Dust and dirt are removed and a degree

of quietness is assured. For a greater reduction in noise, the unit is used with a special casement window, installed in the opening behind existing windows, which acts as an additional baffle to shut out street noises. The filtering unit can, however, be used without the casement window. The cost, in either case, is moderate.

"yeah?"

The reception clerk looks up at the visitor. "Yeah?" she remarks, meaning "what can I do for you?" The effect is definitely bad, especially against a background that has been skilfully decorated. It shows an unwarranted carelessness about details. If a reception clerk is necessary he, or she, should be instructed in an *exact* way of greeting callers and in every other detail of the work. Large corporations are as lax in this respect as small companies. Reception clerks are often either definitely hostile, wholly indifferent or very stupid. It would be a salutary thing if executives could call at their own offices without being recognized and receive the same attention shown the average caller. It is well to remember that all callers are not salesmen. A buyer may drop in and, other things being equal, there are still eccentric individuals who prefer buying from a company with which it is pleasant to deal.

for speedier typing results

American Sales Book Company, Limited, has a typewriter feeding apparatus which is said to save more than 50% of the time now required to change stationery used for invoicing, billing and similar work. Tests indicated that the new apparatus accomplished in eighteen seconds what formerly required fifty. An accumulation of this difference represents a good part of a typist's working week.

what price carbon copies?

A satisfactory paper for carbon copies of general correspondence and all material not vitally important for permanent reference can be had for twenty cents, or less, a ream. A recent casual check-up in six offices revealed an average expenditure of fifty cents a ream for paper which did not, in point of superiority as to endurance, toughness, etc., justify the additional cost. Changing grade of paper made approximate saving of nine dollars per year per office. Trivial amount but correct principle of eliminating waste. If you are interested,

send this department sample of paper used with price and we will send you, without cost or obligation, sample and price of paper recommended in above instances.

high speed addressing

Telephone bills punched, addressed four times and stubs scored at a speed of three thousand an hour, or fifty per minute is one of the ways in which the Elliott Addressing Machine Company's new high speed machine serves business needs. The general average of an experienced hand addresser, working eight hours on straight lists, is 1,000 envelopes. The median cost is \$2.25. On the basis of addressing alone, not including punching or other operations, this machine's hourly output equals a labor cost of \$27.00 and represents the work of about 12 employees working 8 hours each, or 96 labor hours.

Burroughs plans large exhibit

Burroughs Adding Machine Company will exhibit a total of seventy-five machines at the National Business Show in New York, October 19 to 24. This is the largest number of machines ever exhibited by the Burroughs company, exceeding last year's display by twenty-five machines.

noiseless adding-calculator

Monroe Calculating Machine Co., Inc., introduces a new noiseless adding-calculator, adaptable to many business uses. In figuring invoices on this machine, the items are extended and quantities and extensions accumulated, discounts calculated and automatically deducted, fractional extensions balanced to the nearest cent and gross discount and net shown after the final operation. The machine operates with practically no noise.

for better stencil work

Uneven stencil impressions create unevenness in reproduction. Now Electromatic Typewriters, Inc., offers a type impression indicator to assure the same even impression that is afforded by a fine printing press. The impression indicator shows whether the electric power is set for light, medium or heavy type impression and the typist need only turn the impression knob to set the scale at the point where experience has shown that the best stencil results are obtained.

? should the calendar be simplified?

by ARTHUR W. CAPPER
U. S. Senator from Kansas

DURING October there will be held at Geneva, an international conference of government delegates to consider the simplification of the calendar. Our Government has been invited to participate, and I understand that it will do so.

With the question of what to do about the economic depression uppermost in the minds of most people, I have been asked, why bother at this time about the calendar? On first thought, the simplification of the calendar does seem to be a matter not to worry about until the economic distress has been relieved and the financial equilibrium restored. But there is a relationship here between the calendar and our economic life which to my mind makes this question of calendar improvement of real importance at this time, and a reason for going ahead with it as rapidly as possible.

The relationship is one that is not vividly realized until one gives some reflection to it. It is this: Our economic life, commercial, industrial and financial, can make no intelligent decisions or solve any problems without knowledge of its past performance. It must have an accurate record to examine and must compare it with conditions at present. It must determine the direction of the economic currents. It must know whether progress is being made, how fast and how much. It must be able to observe the trends.

There is only one way to do this and that is to make comparisons in units of time, which is to say, by means of the calendar. What were bank clearings this week compared with those last week, and a year ago, or this month compared with last month or this month a year ago? What were car loadings, steel orders, coal production and the scores of other indices of our economic progress? Again, in our own individual businesses, what were costs, what were sales, what were profits last month compared with the same month a year ago, or with some other month this year? It is from the answers to questions like these that we determine

whither we are going—toward better times or worse. The use of the calendar is indeed a fundamental necessity for our economic life.

But we find in making these absolutely necessary comparisons that the principal unit of the calendar, the month, varies in length and is variable as to the kind of days it contains. Some months some times have fewer working days than others, or fewer days of distinctive economic value one way or another. Again, eleven of the twelve months will not contain a complete number of weeks which are also an important time unit. Again, holidays change each year either to different week days or different dates. Again, no week this year is exactly the same as the "corresponding week" a year ago. The whole scheme is a hodge-podge.

We do indeed manage to make comparisons, but innumerable instances of deceptive data result, and in order to get a true picture, laborious computations are necessary.

Why should we not have a calendar of uniform months which shall be an exact multiple of the week and as nearly as possible an exact sub-multiple of the year, and with the days of the weeks fixed to the same dates in every month?

If we could have such a calendar immediately, it would put an end to these difficulties and facilitate the accurate compilation of the comparative statistical information which we are examining more closely in this critical period than ever before. It would be a real aid to the restoration of our economic progress.

Such a calendar, based on the present calendar year, can be realized by the adoption of the plan which divides the year into thirteen equal months of four weeks each, with a "Year Day" to take up the odd day at the end of the year, a "Leap Day" for the extra day in leap years, and the new month between June and July. This, I may add is the only plan which will make the Gregorian calendar as nearly uniform and fixed in every respect as the astronomical facts permit.

I hope that the forthcoming Conference at Geneva will agree to recommend this plan for adoption, and that it will be adopted as soon as possible. To be sure the change cannot practically be

put into effect this year or next, but in any case the adoption of a calendar which so well meets all the conditions of our changed civilization not only will have immediate beneficial effects upon our economic life, but bring permanent benefits in every field of activity.

the business thermometer

(Continued from page 9)

clear the whole financial operation by selling the goods and making them up in manufactures. The importer, on the other hand, does not pay until after a period of time. When he pays, he pays the bank that has discounted the bill. Some one is required who will carry this financial operation for this period between the original production and the ultimate use, and Great Britain's going off the gold standard does not reduce this financial necessity for traders throughout the world.

"Can the bill, therefore, not be drawn in dollars and francs? No doubt it could be, but for bills so drawn on any large scale a very elaborate machine of finan-

(Continued on page 43)



Legal-Logical!

OBVIOUSLY, a legal ink is a logical ink for credit record work and for all general business uses. Higgins' Eternal, long used by prominent lawyers, will impart a valuable writing protection and permanence to all credit records, outlasting the paper upon which they are written. Be sure to use it upon all important business writing.

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m.e.thinks



JUST what is wrong with the world or just what cure the world needs is an assignment this correspondent is not trying to cover. It is, methinks, less of a question as to what is wrong with the world and more of a question of what is wrong with those who write what is wrong with the rest of us.

Bernard Shaw once epitomized the teaching profession in these words:

Those who can—do.

Those who can't—teach.

Perhaps we can find an analogy somewhere in those lines and our present state.

Here follows a check list (conveniently arranged in groups of three and ready for handy clipping and filing) of the reputed causes of that still acceptable after-dinner topic—the depression.

- Over-production
- Under-consumption
- The world war
- Credit over-expansion
- Gold movements
- The stock market
- The machine age
- Tariffs
- War debts
- Deficient buying power
- Unbalanced prices
- Anti-trust laws
- Russian competition
- Silver depreciation
- Instalment selling
- Politics in business
- Unstable money
- International trade relations

We are still suffering from over-production—over-production of polysyllabic profundities that assume a wrinkled brow because they can gain no attention otherwise for their apparent obviousness. Yes, yes, mass distribution of "what's wrong and here's why" talk and articles should be punishable. Common scolds are.

Eighteen causes, at least, for our ailment! Yet it, hardly two years old, is not over yet; nor the plans, palliatives, proposals, prophecies, or prognostications either!

Verily, verily, I repeat unto you:

Those who can—do,

Those who can't—tell the rest how to!

—m. e.



E. Don Ross is new president

E. Don Ross, Secretary of the Irwin-Hodson Company, Portland, Oregon, is the newly chosen acting President of the National Association of Credit Men to fill out the eight months' unexpired term of Henry H. Heimann.

Mr. Ross' selection was made known October 2 at the annual meeting of the Board of Directors of the Association in Chicago.

Mr. Ross follows Mr. Heimann in the presidency, the latter having resigned that position to accept the Executive Managership of the Credit Association on September 1 as successor to Dr. Stephen I. Miller. The new president was serving his third term as a Vice President of the Association.

debt: the vicious vortex

(Continued from page 27)

some of our own medicine.

If it is our destiny to remain a great creditor nation it is incumbent upon us to become a net importing nation. The most graceful way to assume this role, and a way probably involving the least readjustment and disturbance not only for ourselves but for foreign nations, is through a gradual reduction of our tariff barriers. Possibly a definite program of a certain percentage reduction each year over a period of fifteen or twenty years might represent a truly statesmanlike achievement, especially if internationally reciprocated. It is probably not amiss to recall that when England became a great creditor country she found it necessary to become an importing nation and that was the real origin of her tradition as a great free trading country.

liquid conditions demand liquid reserves

(Continued from page 23)

public trust to administer, they are generally disposed to move with caution.

It is a curious fact, nevertheless, that the balance sheets of many corporations indicate the existence of reserves for one purpose or another, when in actual fact there is no segregation of assets of such character as would serve the purpose or purposes for which the reserves were nominally established.

Reserve capital which is going to tide the company over a crisis must be in available form. It cannot represent a proportionate interest in a factory building or a plot of vacant ground, when neither of these could be converted into cash with the dispatch sometimes necessary to meet the crisis—even assuming that it might be good business to dispose of the property under such circumstances. Neither should such a reserve represent a proportionate interest in inventory, when it is by no means certain that the inventory could be liquidated with sufficient speed and to sufficient advantage to serve the purpose intended. Nor should such a reserve represent working capital that is needed in the ordinary conduct of the business.

Reserves, in the sense that we are concerned with them should represent capital that is set aside from the other assets of the business and held for some particular specified purpose. This does not mean that they must always be in the form of cash, earning little or no return, but rather that they be in such form that they can be converted into cash advantageously at the right time to serve the purpose for which they were established.

Real reserves in the sense just described must not be confused with accounting reserves appearing on the liability side of many corporate balance sheets. The latter are set up to indicate the fact that there have been changes in the value of certain assets, or that certain undetermined liabilities exist or that a portion of the surplus is being earmarked for some purpose. The existence of accounting reserves, however, does not necessarily insure the establishment of real reserves in the form of liquid assets specifically segregated for reserve purposes. Accounting reserves may or may not represent

liquid assets; real reserves are liquid assets.

While reserve capital should be kept strictly segregated from the remainder of a company's assets, and should be kept in a form to fit the need, there is every reason for keeping it employed as remuneratively as possible within the limit set.

To suggest bonds is by no means to suggest a new medium for business reserve investments. Bonds are already extensively employed among the largest and most conservative of American corporations; and there is every reason to believe that their qualifications for this purpose are constantly becoming more widely recognized among business organizations.

The advantages of bonds for business reserves are numerous, and might easily justify an extended discussion. For our present purpose, however, the presentation will be confined to a brief summary of their features.

The inherent safety of high grade bonds is a factor of first importance. Having a senior claim upon both the earnings and the assets of the issuing company, they afford a higher degree of protection and require less attention than securities of junior character.

By reason of their senior position and the fixed income which they bear, sound bonds, properly selected, offer a degree of price stability that is especially to be desired in many forms of business reserves. If, for example, a reserve is established to meet a financial need which will arise five years hence, bonds can be purchased which will mature in just five years.

If, on the other hand, a reserve is established for the purpose of meeting contingencies which may arise at almost any time, bonds of early maturity can readily be selected which will provide ready marketability and a comparatively high degree of price stability.

The convenient denominations of bonds, furthermore, and the wide variety of types available, facilitate broad diversification as to divisions of industry, geographical location of properties and maturity.

Income is a further factor of importance in any consideration of bonds for this purpose. A reserve fund which is being built up for use at some definite future date can much more advantageously be invested in bonds maturing at the time desired, than in a succession of short-term loans affording only a low rate of income. Similarly, a reserve fund which in all probability will be

liquidated at some indefinite time in the distant future, may usually be invested in bonds affording a comparatively liberal rate of return, rather than in a succession of short-term, highly liquid investments showing only a low rate of return. Even though it should happen that the account were liquidated at some sacrifice of principal after a number of years, the probability still favors better aggregate earnings from a well designed reserve account of good bonds. On the other hand, short-term issues not infrequently offer advantages in the individual case which can not be secured among long-term investments.

In the investment of business reserve funds, as in all other forms of investment, it is important to observe the rules of structure and balance. Consistency, in the first place, must be established in the quality of the issues selected. Care should be exercised to insure an investment account that gives the company every advantage from the standpoint of broad distribution of risk. The disposition of some companies to confine their investments to the securities of other companies with which they are affiliated, or which belong to the same general division of industry, should not be indulged to the extent of ignor-

ing the well established and proved principles of diversification. Arbitrary rules affecting the return expected from each investment considered, marketability, and so on, should be considered impartially in the light of their probable or possible consequences. Every effort should be devoted, in short, to the construction of an investment account which observes all the tried and tested rules of investment.

No matter what the requirements, the most satisfactory results will be obtained through a meeting of minds representing the business organization which proposes to establish the reserve account on the one hand; and, on the other, a reliable and competent investment institution. The first knows, as no one else can, the requirements and peculiarities of the business; and the second knows securities and their features—whether or not certain types of bonds will accomplish the purpose desired, and just how the account should be organized to insure satisfactory results. A co-operative relationship of this kind, of course, should be built up only through investment organizations of recognized experience and standing and broad practical knowledge of the reserve problems of corporations.

*in credit as well
as insurance
character is what
counts—investigate
this factor carefully*

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paging the new books



reviews of the important books on business, to aid executives whose reading hours are limited.

this month's business book

CONCENTRATION OF CONTROL IN AMERICAN INDUSTRY. Harry W. Laidler. Thos. Y. Crowell Co., N. Y. 1931. 518 pp. \$3.75.

Most books are not what their titles purport them to be. The inadequacy of titles is always a night-mare in the life of a book-reviewer. Most books do not give you as much, either in scope or quality, as the title leads you to expect. "Concentration in American Industry" is an exception—it gives you much more than the title suggests. You expect a survey of the centralization and the concentration of business into great corporations through the channels of mergers and consolidations. You get this, of course, but very much more.

This volume of Dr. Laidler's might be called the "book of facts" concerning the greatest economic development in American history. Do you know that four companies produce one half of the total annual anthracite coal output? In the copper industry, four companies control nearly one-half of the copper resources. One company owns more than 90% of the known nickel resources in the world. Three corporations control over 70% of the cigarette trade of the country. Two companies divide the locomotive field between them. Page after page of such startling facts as

these could be drawn from this volume which should be on the desk of every business executive.

It is my understanding that this is the only up-to-date, comprehensive and authoritative volume on mergers and consolidations that is available. Dr. Laidler gives a historical sketch of the development of big business before passing on to part two, where he analyzes the scope and significance of the country's natural resources. Part three covers our public utilities; part four analyzes our manufactures, which includes the entertainment and publishing fields; part five is devoted to finance, marketing and agriculture; while part six surveys the general causes, effects and economic problems of the concentration movement in American business.

The final chapter is devoted to interpreting the trend of mergers and consolidations. This is an evaluation of the economic strengths and weaknesses of the merger as it affects every phase of our economic life. The chapter on "Have We A Money Trust" is alone worth the price of the complete book. The story of "The House of Morgan" is particularly fascinating.

The book is full of statistics and facts about the entire field of American business and industry. The factual and practical value of this volume cannot be disputed. It is a worthy reference volume to keep on your desk.

—CHESTER H. MCCALL.

the world's his stage

MAN'S OWN SHOW: CIVILIZATION. George A. Dorsey. Harper & Bros., N. Y., 1931. 958 pp. \$5.00.

As dramatic as his writing, was his death. For the late George A. Dorsey died a few hours after he had read over the last sheets of manuscript for his recent book, "Our Own Show: Civilization."

Fortunately he had summed up his years of intensive study, observation, and opinions in this volume ere his demise and so we now have a 958 page tome, graciously but not cheapeningly popularized, opinionated in a stimulating manner, surveying Man, his manners, his probable origins, and the probable bases for his actions.

Unfortunately he made his work too discursive, too all-inclusive, too much devoted at times to generalization. In shorter terms, his virtues arise from his faults, his faults from his virtues.

Dorsey's background was scientific,

anthropological and, expectedly, rational. What he saw, he knew; what he knew, he believed. Accordingly, religion fares ill at his hands; biology is elevated to a high rank in this world in which we behave like human beings.

But the work has its values and they are many. It provides a broad perspective, it is lively and stimulating, and it presents an opportunity for the tired business man to come up with the comparatively advanced opinions and viewpoints now rather generally accepted concerning himself and his fellow human-beings. It is not light, vacation reading. But, if you can, take off a few days from your business and review the hows and whys of human behavior and the nature of man. It's a great old world, this earth of ours, and "Man's Own Show" is entertaining proof.

—PAUL HAASE.

let's get together, boys!

ORGANIZED BUSINESS LEADERSHIP. Merle Thorpe. Harper & Brothers, N. Y. 1931. 100 pp. \$2.50. Foreword by Wm. Butterworth.

Years ago Rudyard Kipling penned a line that, while it contradicts an equally worthy line by himself, has evidently been taken to heart by the business men of the U. S. A. "The strength of the wolf is the pack and the strength of the pack is the wolf." That can be taken as the guiding philosophy of the organization of trades movement in the United States. The other statement of the British poet, "He travels fastest who travels alone," has been ignored.

In the past few decades American business has taken great strides in the matter of getting together for mutual benefit and ultimate gain. It is one of the things that strikes the visitor to our shores most forcibly. Several months have elapsed since the visit of Dr. Bruno Birnbaum to the offices of the National Association of Credit Men, but my memory still retains the sight of the good Herr Doktor, shaking his head in a slow, amazed manner at the organization and cooperation of the credit men of America.

"You are ahead of us in all this. We have not yet broken down the old idea in Europe that one business man can help himself in helping another by, as you Americans say, give and take."

Using this organization of business in America as his theme, Merle Thorpe, in this latest volume of 100 pages from

his typewriter, "Organized Business Leadership," presents a simple, truthful story of our group activities. Certain wastes are group wastes, he says, and can be eliminated only by group action. Throughout his narrative one sees the development from individualism to communal and guild interests and, finally, national interests on a group basis.

Group activity means research, exhibitions, commodity grading, pooling, uniform accountancy, standardized depreciation, arbitration, joint trademarks, collective buying, bonding, insurance. Group activity is based on a philosophy which maintains that if the group is prosperous, so also the individuals; that group activity still preserves essential individualism; that group activity raises standards; that policing by industry prevents the necessity of governmental policing and consequent bureaucracy.

For this intelligent, racy summary of our organization record, Mr. Thorpe deserves a vote of thanks. His chapters on the opportunities, the qualities, and the aids of leadership are merely ballast and can be jettisoned without much loss.

—P. H.

among those present:

PRINCIPLES OF SELLING. H. K. Nixon. McGraw-Hill Co., N. Y. 320 pp. \$2.50. 1931—Anent adequate preparation, building acceptance, arousing the buying attitude, keeping the selling attitude, dramatization, removing sales obstacles, inducing decision and action. Emphasizing that salesmen may be born and can be made.

THE CO-OPERATIVE MARKETING OF LIVESTOCK. Edwin G. Nourse and Joseph G. Knapp. The Brookings Institution, Washington. 478 pp. \$3.00. 1931—From the Institute of Economics of the Institution, which is somewhat of a hall-mark.

CUTTING CLERICAL COSTS. Eugene J. Bengé. McGraw-Hill Co. 322 pp. \$3.50. 1931—Much like CREDIT AND FINANCIAL MANAGEMENT's recent series on executive office management, but in greater detail, covering office machines, job analyses, office layout, employee tests, control of office production.

PUBLIC SPEAKING FOR EXECUTIVES. Charles W. Mears. Harper & Brothers. 188 pp. \$3.00. 1931—The Dean of the Cleveland School of Advertising and Sales covers familiar ground in a well-written exposition on the fine art and artifice of demagoguery.

the business thermometer

(Continued from page 39)

cial knowledge and financial courage is required, and this cannot be immediately improvised either in New York or in Paris.

"The greatest friend of New York could not say at the present time that New York's financial dealings with foreign countries have been characterized by a steady, courageous purpose or by intimate and far-seeing knowledge.

"These things can only grow by long experience, and the period from 1918 to 1925 shows that an automatic transfer of this business to another market at a moment's notice is very difficult.

"If, therefore, the world is to go on trading without restricting its financial accommodation, this system of drawing bills must continue, and if sterling is reasonably stable, so that the payer and the receiver do not find their bargain in practice spoiled on every side by wild variations during the three months' currency of the bill, then it may well be that sterling will again command sufficient confidence for the purpose in hand.

"The rejoicing in industrial circles at the immediate stimulus given by Great Britain's going off the gold standard is all very well in its way, but no country could ever rest for permanent prosperity upon such a circumstance. Reviewing the history of the depreciation of the exchanges in other countries in the past, it will be seen that the encouragement to exports and dumping and the resistance to imports is not due to a permanent difference in the values of currencies but to a period of change.

"In other words, it is transitional and for its continuance it depends upon an additional dose of currency appreciation or inflation at each stage. It is very short-sighted, therefore, to think of the advantages of going off the gold standard as being permanent in industry except in so far as they may help to rectify the special difficulties of price levels and wage levels in the last two or three years.

"The next thing we have to consider is the influence of going off the gold standard upon other countries that are on the verge of taking the same step. If, as a consequence, they all go off and only a few of the chief countries remain on, we may now speculate mentally as to the ultimate value of gold. The release of a large part of the pressure for possessing gold for a currency basis will

automatically make it less valuable and this may stimulate a rise in the price levels of those countries that are still using it with strange consequences in the exchange rates.

"This is a possibility to which I drew attention nearly eight years ago when I remarked in the *Wall Street Journal*: 'We are tributary to America in gold for two generations. If she can make gold high in value, the tribute of our production will be heavier. It is greatly to the interest of the United States that we should reassume gold and lead Europe to do the same, for we thereby confer on gold a good part of its old value and save the United States from hugging a useless hoard. But when we have made the "call," because we can play several good cards, her store of gold gives her a long suit of trumps.'

"Before Great Britain takes this step it is not enough to insure against the immediate risks; we must look to the whole future of the standard as a worthy instrument of society for the age in which we live. As the price for this great boon to America, Great Britain must bargain here and now for closely knit cooperation on lines of genuine resolutions to secure gold stability through central bank reserves.

The Great Book

of credit literature is "CREDIT AND ITS MANAGEMENT" by J. H. Tregoe, who for twenty-five years was Executive Manager of the National Association of Credit Men. Every credit executive should have this scholarly and practical work on his desk. This volume is much more than a history of credit up to the present time—it is much more than one of the best credit text books ever written. It is a practical tool that you can use in your daily work.

Here are just a few of the chapter headings:

The Historic Background of Credit
The Chemistry of Credit
The Credit Sense
Qualifying for Credit Management
The Credit Manager's Tools—Various Sources of Information
Credit Economics
Credits and the Bankruptcy Law
Friendly Liquidations

Credit leaders throughout the country recommend this book in terms of highest praise. You may procure a copy by sending your order to this magazine or to Harper and Brothers, 49 East 33rd Street, New York City. The price is \$3.00.



our readers think



I wholly disapprove of what you say and will defend to the death your right to say it.—Voltaire to Helvetius

■ "Our Readers Think" is an open platform for our readers. Criticisms of all kinds will be published on this page. We believe in the strength and power of controversy. We believe in both brickbats and bouquets. There are no brickbats this month, perhaps we will have better luck next month.

it's not a Eugenie, it's a permanent!

In common with dozens of letters that have come in, the following letter from Mr. Kase epitomizes the approval which our new magazine dress was given by our readers. One writer asked if it was a seasonal (or Eugenie) trend. We assured him it wasn't, of course, for we're "here to stay."

Dear Mr. McCall:

I want you to know how pleased I am with the September issue of your magazine, not because it contains our article on page 26, but because the whole thing is artistic from cover to cover and the articles presented all have an appeal to the business reader.

I would not mind having a few extra copies, say six, if you can spare them; if not, send as many as you can spare.

Yours sincerely,
H. H. KASE.

the case of Kase gains wide approval

Apropos of Mr. Kase's dictum against monthly statement submission by firms, we have received a small carload of response—all affirmative. Here are some representative letters.

Gentlemen:

I thoroughly enjoyed reading the comments of Mr. H. H. Kase, Credit & Collection Manager of the Taylor Instrument Co., on the method of not sending out monthly statements.

May I take this opportunity of agreeing heartily with Mr. Kase's idea. I have for the past twelve years omitted the practice of sending out monthly statements. Before becoming associated with my present firm I had the pleasure of serving as Credit & Collection Manager with a leading mercantile concern in the gift line. We had in the neighborhood of some 10,000 active accounts. Out of this number approximately 200 accounts received monthly statements on their own request—the balance of the accounts received a collection letter just as soon as the bill was due.

The results obtained through this method were very beneficial. As Mr. Kase mentioned, the first saving is in the elimination of postage, labor and printing matter, which goes with the mailing of these monthly statements. However, our biggest benefit was a quicker turn-over of our accounts receivable. Many credit men rely solely on the monthly statement to obtain collection, usually letting two statements go forward before they actually start the dunning of an account.

By our method, just as soon as any bills became due our first collection letter was sent and followed up weekly until the account was cleared. By this practice we were just four weeks ahead of our collection program. In the old way our customers would not have received this first letter until the account was approximately four weeks overdue. Our new method speeded up the system for the customer, for the customer received his first request for payment just as soon as the bill became due.

A careful analysis revealed that not only had our turnover on accounts receivable been increased from six to seven and one-half times per year, but, it had the astounding effect on our old delinquent accounts in making them pay up much sooner. Statistics reveal that we had approximately 2,000 accounts on our books

who were about 90 day payers. We were able by sending dunning letters from the start to reduce their paying record to within the 60 day period.

Experience taught us that these old delinquent accounts very seldom paid any attention to the monthly statements. As Mr. Kase stated in his column, many such customers used the statement as an excuse for delaying payment, often writing to us that they either had not received their statement or it was misplaced. I, for one, cannot see any benefits arising from the continued practice of sending out statements monthly and certainly would be glad to hear or read of any arguments from those not in favor of Mr. Kase's system.

Very truly yours,
A. GILLEN.

Let's have the arguments, if you have them, in favor of sending out monthly statements. There's a good dish being cooked up. Let's keep the kettle boiling.

My dear Mr. McCall:

Your "monthly statement" hits the spot, but there is nothing novel about it, as we have not been in the habit of sending them out either for 20 years except in isolated cases where they are requested to check accounts.

They are, I have found, a very good excuse for delaying payment or stalling, as we call it, and give "trimmers" a chance to claim illegal discounts because of the non-receipt of a statement.

Sending a letter about a week after the invoice is due and adequately following up, has proven its worth over the old statement method. Statement making is a waste of the bookkeeper's and mail clerk's time and our money. A reasonable trial will prove any of the foregoing.

Sincerely yours,
S. C. PEARSON.

P. S. This has been such a pet obsession with me, I had to write a personal letter.

Mr. Lemons agrees with Mr. Kase's ideas and shortly we hope to show you in our monthly model collection letter series the collection letter he speaks of.

Gentlemen:

We have been quite a bit interested in the series of collection letters which you have been publishing each month and following your suggestion we are forwarding one that we have found to be very effective. It is the fourth of a series of letters, and like the first

three, is short enough to be read, yet long enough to present the facts.

Incidentally, we were also much interested in your article on monthly statements on page 26 of the September issue as we did away with our statements (except for a few special cases) in the year 1929 B. D. (Before Depression).

Yours very truly,

KENNETH E. LEMONS.

our collection letters collect

For fourteen months CREDIT AND FINANCIAL MANAGEMENT has been running a page, "This Month's Collection Letter." Almost every day we receive attestations from our readers to the pleasing truth that the collection letters we publish actually do collect.

Mr. James W. Jenner of the Jennery Company, Louisville, Ky., is one of our many friends who has written in about our collection letters. Read what he has to say.

Hello, Mr. McCall:

Just a moment to tell you that we enjoy, very much, reading CREDIT AND FINANCIAL MANAGEMENT, and we but recently awakened to the fact that your Collection Letters are mighty good, and, since we have a lot of this to do, we have commenced using them, in some instances making slight changes to fit our business and to fit certain customers.

We are wondering if we'd be asking too much in requesting you to let us have copies of your first, second, third, fourth, fifth, sixth, eighth and ninth Collection Letters. In other words, we have your Collection Letters seven, ten, eleven, and twelve.

And, of course, we were very happy to send Mr. Jenner the complete series. We know that Mr. Jenner's collection efficiency will increase when he starts using our letters.

Niagara wholesale credit

The credit conditions of 30 comparable concerns in the Niagara (New York) area improved somewhat during the month of August. The report of these 30 companies showed an increase of .3% in outstanding accounts, accompanied by a decrease of 7.5% in past due accounts on September 1 as compared with August 1. The ratio of overdue to outstanding accounts for these concerns on September 1 dropped to 21.9% from 23.8% on August 1. Eight concerns out of 30 showed an average gain of 8% in the amount of

outstanding accounts over the previous month coupled with a decline in their overdue accounts of 18%.

The food group consisting of 7 concerns showed an increase in the ratio of overdue to outstanding accounts from 23.9% on August 1 to 26.7% on September 1. This was brought about by a decrease of 3.6% in outstanding accounts while their overdue accounts increased 7.6%, as seen in a University of Buffalo survey.

Life philosophy is not so important as living philosophy.—C. H. M.

retail credit survey

Every credit executive in the country should be interested in the Retail Credit Survey just published by the Department of Commerce and released on September 19. This survey is for sale by the Superintendent of Documents, Washington, D. C., at ten cents per copy. It is valuable source material to have on hand. It covers electrical appliance stores; women's specialty stores; men's clothing stores; jewelry stores; furniture stores; department stores, and also gives a general resume of credit conditions in all types of stores.

When the Big Fellow Fails It Really Hurts

To firms with a limited credit rating you extend but a limited line of credit. Therefore, losses from these customers seldom are serious. Usually they are anticipated in your firm's profits.

To others, rated high by best financial services, you extend unlimited credit. Your house ships thousands of dollars in merchandise. Then something happens—something which *no* credit man could possibly foresee. A crash! A credit loss that *really hurts*.

American Credit Insurance

protects the Credit Departments of Manufacturers and Wholesalers from just such an unforeseeable situation. *It insures against abnormal bad debt losses.* It safeguards net profits, surplus and capital. It promotes confidence; eliminates worry.

Credit Managers, why not have our representative call and explain the many features of this broad protection and service? You will be surprised to see how little it costs and how much it offers.

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push-pull distribution

(Continued from page 29)

"The essence of this plan is a reduction in the cost of selling which makes the retail price to the consumer more attractive and a system of operation which makes it profitable for the jobbers to push the item in question. The company involved has been unwilling to discuss the plan and its results except under the cloak of anonymity, but it can be said that its principal product is a packaged item which dominates its particular field."

"Our primary reason for adopting this change in sales method," the sales manager of the company said this week, "was the wide spread between the price of our brand in the retail stores and the prices for smaller advertised brands, private brands and bulk goods. We felt that if we were to hold our own against this competition, to say nothing of making headway against it, we had to reduce this price spread drastically."

"The only way we could reduce the spread was to reduce costs. Primarily the reduction had to come in selling expenses. If the plan was followed, as we hoped, by an increase in volume, we could also look forward to a reduction of manufacturing costs."

"Analyzing the problem, we found two big items of expense in selling. One was an extremely expensive staff of specialty salesmen. The other was a large item for advertising. Both were cut down to a small fraction of what they were."

"To reduce the cost of salesmen we simply cut the staff down to a very small number of men. Those whom we kept on the list are not primarily salesmen. Their essential function is to keep their fingers on the pulse of the trade so that we can always be sure as to where we are going."

"For example, we are able to learn through this staff the specialty order business has shown no signs of improvement. This information merely confirms our belief that this system of selling is too expensive a way of doing business. We also find through this staff that there has not been lately any increase in the inroads of private brands in our field. If anything brands have begun to wane. We have another check on this subject, incidentally, since we pack under private labels as well as our own and have no indications in the sizes of

orders we receive that very formidable competitors are appearing here."

"To reduce advertising costs, we adopted a sweeping policy and cut out all national advertising and practically all trade advertising, except that we have continued to do some broadcasting. This is a drastic step we know but it was made necessary by the need to cut prices sharply and by the fact that in cutting prices we had to take a substantial inventory loss."

"I do not believe that it will be our permanent policy to do without national advertising. I do believe, however, that we shall not go back to a reliance on such advertising as the principle motive power behind our sales. The increased cost of advertising makes this a costly way of building up sales. When and if we resume advertising it probably will be on the basis of making advertising a valuable aid to our general plan rather than its most important element."

"Manufactured food products going to the consumer pass through the jobber and retailer. At each point there is resistance to be overcome. The customary method for overcoming this

resistance has been to create a consumer demand through heavy advertising, specialty sales work and the like, which will overcome that resistance by pulling the goods through the distributive machinery. The other method may be described as pushing the goods through by getting the co-operation of the distributors. Having given up the first plan we fell back on the second."

"To do this we drew up a selected list of jobbers for each territory. The number varies for each territory according to its size, the number of jobbers operating and allied factors. Broadly speaking we merely classified jobbers as willing to co-operate, indifferent and hostile and concentrated our business with the first group."

"From jobbers who accept our plan we expect only that they shall favor our line. This means that when an order comes in without specification of the brand, it shall be filled from our line. It also means that they shall try to sell our brand to retailers who favor other brands. Finally, it means that they shall refrain from the cut-throat competition which in the past has

(Continued on page 56)

"HE'S A GOOD LOSER"

It's fine to be a good loser, take your losses without undue squawking, but how much better to guard and protect your business in every way — *prevent unexpected losses.* Sound insurance is a splendid beginning, insurance with the Aetna Fire Group.

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THE CENTURY INDEMNITY CO.

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PIEDMONT FIRE INSURANCE CO.

CHARLOTTE, NORTH CAROLINA



? curb short selling ?

(Continued from page 11)

meet him occasionally among our trusted officials of fiduciary institutions; that, however, is a condition with which we must contend so long as we have to do with the frailties of human character.

You gentlemen who occasionally enter the stock market will perhaps be interested in its disciplinary procedure. The Constitution of the Curb Exchange provides for a Committee of Arrangements consisting of nine members, who are given broad powers to supervise the process of business on the Exchange floor. They are men thoroughly conversant with the rules of trading which have their fundamental basis, so far as the public is concerned, in the laws governing the obligations of an agent. Should it come to their observation that a member has transgressed the provisions, he is notified by the Secretary of the Exchange to appear before the Committee, not next week or next month, but that very afternoon.

The member is examined, together with witnesses. If, in the judgment of the committee, there has been a wilful violation and the infraction is serious, charges are drawn under a section of the Constitution. The President calls a meeting of the Board of Governors and the member is given his day in court; he may call witnesses; he is subject to further examination by the Board and the Chair. Upon completion of the examination, he may be found guilty or not guilty by a majority vote of the Board. A vote is then taken, if guilty, for the penalty provided for in the section of the Constitution under which the charges were drawn. The Board, through the Constitution, is vested with an all-powerful authority over the members and it approaches its duties with true judicial understanding. Judgment is passed not with the idea of vengeance, but as a warning to others who may contemplate the same infraction.

The Committee on Business Conduct functions in the same manner, but confines its observations to the process of business beyond the Exchange floor. The Constitution of the Exchange has laid down an exhaustive law of procedure for the protection of the public and the body of the membership as among themselves, but its exercise is rarely called upon, for the standards of business ethics are high. You will agree with me

that the charlatan with whom perhaps you have had some experience operates through a medium of questionable merit, and so if you subscribe to the theory that a man's profession and the medium through which he deals oft proclaims the man, I can tell you that the securities dealt in on our Exchange bear favorable comparison with those of the other major exchanges of the country; indeed, of the 2300 stocks dealt in on our Exchange, approximately 1525 pay dividends.

The listing requirements of our exchange follow in all essentials those of the New York Stock Exchange. The securities traded in are distinguished as those "Listed" and those admitted to "Unlisted Trading Privileges." The former generally represent new enterprises, while the latter are entirely seasoned companies. The listing requirements are in part:

A company applying for listing of its shares is required to file an application signed by an officer of the company, together with complete data giving the history of the company, information concerning the purpose of the issue, a certified copy of any prospectus, a certified copy of the articles of incorporation, together with any amendments thereto, a copy of the by-laws, a balance sheet reflecting the condition before and after financing, and an earning statement.

A company applying for listing must agree to maintain a transfer office in the City of New York, also a registrar. Specimen copies of stock certificates must be furnished. Information as to the amount of distribution of its shares which must be at least 15%, exclusive of officers, directors, or syndicate managers, and not pooled or tied up in any way. This 15% must also show diversification. Should the shares be admitted to listing, the bankers or underwriters must give subscribers notice of the amount of their allotments before a market is permitted upon the Exchange.

All this data is sent to the listing department and is examined by the Secretary to the Listing Committee and his assistant; the financial reports are sent to the institution's accountant, and a report is rendered.

When all this data has been collected and is complete, it is presented to the Committee, who scrutinize it in all its details. Credentials of applicants and associates are important.

If the Committee feels that the picture is such that the shares should be admitted to the avenues of credit that

the institution affords it is recommended to the Board of Governors for listing, when a final vote by that tribunal is taken.

Complete information incident to the listing is kept on file and is open to the public.

As has been mentioned, securities admitted to "Unlisted Trading Privileges" are outstanding stocks of established companies, for which a public market exists or will develop. It is believed that through our Exchange, an open market is made available to purchasers and sellers which reflects most closely prevailing prices, a market in which transactions are recorded, and through which stockholders and investors are constantly informed of sales and prices, and where, through the medium of a broker acting for them on a specified commission basis, they receive the full advantage of prevailing prices; and where the brokers themselves are subject to severe discipline for infraction of rules. The unlisted securities have, prior to admission, stood the test of experience. They represent interests in approved concerns. No security is admitted to dealings, unless its financial condition and history are a matter of public record.

Another evidence of the high standing of the Curb Exchange may be had in the fact that practically all of the leading banks and trust companies in New York City have put their stamp of approval on its securities. For a period of over seventy-five years, the transfer agents in New York have exacted to an endorsement on a stock certificate deposited for transfer the guarantee of a New York Stock Exchange firm. The guarantee of a Curb Exchange member is now accepted equally with that of a New York Stock Exchange member on securities dealt in on our Exchange.

To illustrate further the confidence that leading banking institutions have in our Exchange and its future, one has only to point to the success with which the Money Post, established April 23, 1930, has met since its inception. Its inauguration on the trading floor marked a very important step taken by the Exchange as a world's security market, as indeed it marked an epoch in its development. Banks and trust companies have placed from day to day, large amounts of call money at the Post for lending purposes and during the period—April, 1930, to June, 1931—over \$100,000,000 was loaned on securities dealt in on our market.

In addition to its importance as a domestic stock market, the Curb Exchange

has taken its place with the great security markets of the world and its prestige in international financial affairs is becoming increasingly more impressive. There are securities on its trading list which represent industries located all over the world. Indeed, investors living in foreign lands, who, a few years ago, knew little of the part played by our exchange in American finance, are now quite familiar with its importance as an international stock market. Trading in foreign stocks is in the form of American certificates of deposit issued by New York and trust companies against the definitive shares of foreign corporations.

Through the medium of these certificates of deposit trading is now carried on in nearly 150 foreign companies having a total capitalization of about 700,000,000 shares with a par value exceeding \$8,000,000,000. A foreign security is admitted to trading privileges only after the Committee on Listing and its expert advisers are satisfied as to its established character, and it is felt that in arranging an open market in foreign securities of high standing the New York Curb Exchange will perform an important and beneficial function to the public itself.

It has not been my purpose to place a halo about our head. We are not perfect, we are but human and we shall have our hour of trial. Indeed, it is not now an easy way but we are holding to the principles upon which are founded an enduring progress and a firm security.

Let us for a few moments pass to a subject of current interest. You have read of late considerable about the so-called iniquity of the short sale. If you believe in the theory of a centralized market for securities, and that is an important factor in the problem, as the principle is woven in the fabric of our financial system for over one hundred years, and if you believe that speculation is an essential part of modern business, it is fair to reason that the seller who believes that prices are too high and can borrow to settle his contract has an equal privilege with the buyer who feels they are too low.

The debacle of the stock market of 1929, and what followed, cannot in my opinion be laid at the door of the short seller. Our people through the principles of a great democracy enjoyed an abundant prosperity. It was too much, it came too fast, and a frenzy of speculation was a natural consequence. A

mass psychology seized the people, based upon a doubtful future. The same thought that engendered the seller destroyed the confidence of the potential buyer and so the seeds of panic were sown. The immediate and superficial cause of the decline was perhaps due to the great mass of security holders who had lost confidence in the future of business and those unwilling sellers who could no longer protect their equity. Indeed, a real short interest at the top would have done much to check the precipitous decline. It was woefully lacking however.

The administration of recognized exchanges are profoundly sincere in proclaiming the necessity of the short sale. To tamper with the fundamentals of a highly technical profession may prove a costly experiment. Indeed, it proved so in Germany where the short sale was rescinded in 1896 and reestablished in 1908. We are inclined to look for the causes of major declines in security values to those factors that are superficially evident, but they are more deeply rooted. Indeed, they are the result of economic maladjustments that have already become history.

you can't keep a good country down!

(Continued from page 17)

but even hunger, cold and disease does not move them to surrender. With courageous heart, and spirits stout as steel, they too carry on without a grumble or complaint and bear these personal sacrifices so that their children and their children's children may enjoy the inalienable privileges that are an inherent right of mankind.

The hand of time moves forward again and we see a nation torn asunder in civil war. Tragedy is written throughout the land and the peaceful brooks and streams run red with patriots' blood. For four long years the North and the South courageously fight on and their nation is engulfed in the tragedy and horror of war. Eventually this too passes into history and a stronger union emerges.

Half a century again elapses. Once again our young men go forth to fight for humanity. The Allies are all but exhausted, their finances have vanished, their man-power has been decimated and they are almost annihilated in the titanic struggle. Everything seems lost but a spirit which can never die. Even-

tually, here too, comes an Armistice Day. Once again the world seems a sweeter and more wholesome place in which to live, the virtue of forgiveness and forgetfulness takes possession of conqueror and vanquished and again we have a comparatively tranquil world.

When we consider our history and then think of our present situation and hear the pusillanimous crying and whining, the agitation for this and that, the challenge goes out to the present generation. Are we deserving of the things we enjoy—liberties and comforts earned with the precious blood of our forefathers? Has the blood of the American race begun to thin?

Our problems today compared to the problems that have gone before us are infinitesimally small. If we are lacking in courage to meet them and if we fail in our capacity to solve them, then civilization is tottering on the brink. Only a fool would conclude that. There can be no safer or saner conclusion than that we have merely stopped on the highway of progress to rest a bit and, having renewed our energy, we shall take up our burden cheerfully and again march forward to new lands, new discoveries and, above all, to a realization of the thrills and enjoyment of a higher standard of living.

Satire is the art of making truth more truthful than truth really is.

Don't forget that there is a stake in every mistake.

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answers to credit questions

conducted by Walter C. Foster

judgment in New York

Q. Is a creditor, who has obtained a judgment against a debtor thereafter making an assignment for the benefit of creditors, entitled to a preference under the laws of the State of New York?

A. If the judgment creditor actually levied upon the debtor's property prior to the date of the assignment, the judgment creditor is entitled to preferential payment. If no levy was made, however, the mere entry of a judgment does not create a lien on the property of the debtor and the claim is not entitled to priority.

unearned premiums on fire insurance

Q. Is an assured entitled to recover unearned premiums in the event of what is determined and admitted as a "total loss"?

A. The law seems to be clear that if the risk is once assumed, the premium is earned and cannot be recovered.

foreign corporations in Pennsylvania

Q. Is it advisable or necessary for a corporation to register within the state of Pennsylvania in view of the fact that no stock of goods is carried in that state, orders for goods manufactured by the corporation are solicited by traveling salesmen who send such orders to their employer in the home state, where they are accepted or rejected, shipments being invariably made from points outside of the state of Pennsylvania.

A. While there is a decided conflict of authority as to what constitutes "doing business" by corporations in a foreign state, the situation presented in this inquiry offers no problem. Inasmuch as only traveling salesmen are employed in a foreign state, and since all orders taken by these salesmen are accepted in the home state of the employer, the corporation cannot be said to be doing business as contemplated by the statute.

discharge of note endorser

Q. Can an endorser be held responsible for the payment of a note in the event of failure to receive notice of non-payment?

A. Section 160 of the Negotiable Instruments Law provides: "To whom notice of dishonor is given. Except as herein otherwise provided, when a negotiable instrument has been dishonored by non-acceptance or non-payment, notice of dishonor must be given to the drawer and to each endorser, and any drawer or endorser to whom such notice is not given is discharged." The inquiry presented is precisely

answered by this section of the Negotiable Instruments Law. That excerpt in the section which reads "Except as herein otherwise provided" does not allow of an exception in the facts presented. Failure to give notice discharged the endorser.

liability of partner's estate

Q. In the case of a partnership when one of the partners dies, do creditors have any recourse against the estate of that partner on goods sold to the concern subsequent to the death of the partner?

A. Where the business of a partnership is continued pursuant to an agreement (it being entirely competent for partners to provide in their articles or agreement of co-partnership that the death of a partner shall not dissolve the firm and that in such event the partnership business may be continued), or where it is continued pursuant to the will of the deceased partner, the estate of the deceased partner is liable for debts and obligations thereafter incurred in the continuance of the business. Otherwise, the estate of a deceased partner is not liable for debts and obligations incurred subsequent to the death of the partner.

There are people who can "put the cart before the horse" because they have more push than pull.—C. H. M.

Don't inform people that you have form—prove your form by performance.—C. H. M.

addresses wanted

ALEX, GEORGE, 5060 Lake Park Avenue, Chicago, Illinois, operating a restaurant; residence address, 1642 E. 53rd St., Chicago, Illinois.
CLARY, R. F., COMPANY, formerly in the real estate business, Merchants Nat'l Bank Bldg., Omaha, Nebraska.
HOOD, JOHN A., Baker, formerly of Seymour, Texas.
LACEY, V., painter and paperhanger, formerly at 120 Joy Rd., Detroit, Michigan; also lived at 2545 Taylor, Detroit, Mich.
MAITLAND, F. C., United Novelty Co., 34-36 S. 16th St., Philadelphia, Pa.
MARINO, GIRO, 721 Christian St., Philadelphia, Pa. Now believed to be residing either in Coney Island, N. Y., or New Haven, Conn.
MELCHER, D. F., t. a. the Conway Drug Company, Conway, New Hampshire.
MOSES, L., tdg. as Camden Home Furnishing Store, Camden, New Jersey.
MYERS, BILL, grocer, formerly of Brady, Texas.
PASCO, THOMAS, t. a. Tommy's Novelty Shop, formerly at 234 Sands Street, Brooklyn, N. Y.
PENDELTON, EARL, formerly operated in Oklahoma City, under the style of Oilwell Electric Company, 337 E. 29th St.
ROLAND, PAUL, formerly operating as an advertising expert, last known address being at Hotel Majestic, Utica, N. Y.
ROMER, JACK, formerly located at 744 Washington St., Gary, Ind.
RYAN, MICHAEL J., Merchant, Upper Nicollet Avenue, Minneapolis, Minn. Last heard from two years ago. Age, 35; height, five feet four; now believed to be somewhere in New York State.
SANDERS, C. IRVINE, last address 1010 South 34th St., Louisville, Ky. Now located in Cincinnati, Ohio. Barber by trade.
SMITH, LOUIS A., engaged in conducting a men's furnishing business at 335 W. 125th Street, New York City.
STRAUCH, C. B., M.D., formerly located at 709 North 11th St., Milwaukee, Wisc. Reported to have moved to New York, N. Y.
WHITE, SHIRLEY, baker, formerly of Sweetwater and Gorman, Texas.
WURLITZER (H. C.) and MANN (EDWARD B.) t. a. Royal Television & Finance Company, formerly located at Michigan Square, Chicago. Now believed to be in Philadelphia.

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(Continued from page 20)

you might view it on the premise that this could just as well have been an experience of yours: "It has been the policy of this company to require in certain instances that officials of a company to whom we are extending a large line of credit, carry business life insurance. The application of this rule on the account of a chain store a year or two ago will save us approximately \$20,000.00. The business was a failure in so far as operations went, yet we had approximately \$30,000.00 life insurance on the head of that particular chain store. The insurance was assigned to us and after the failure of the business we continued to pay the premium.

"Following this failure and other business reverses this particular individual seems today to be a physical wreck, and while it is a little cold-blooded to say it, I am sure that we will collect the insurance before many months.

"If we had not had this foresight to require insurance on this particular individual we would have lost approximately \$20,000.00 which will be collected at a very early date. It was only because of this insurance that we extended the very liberal line of credit that we did."

Mr. Warren R. Humphreys, Vice President of the Integrity Trust Company in Philadelphia, also attested to the importance of business life insurance saying, "A year ago the death of a proprietor of a certain business occurred. We were fully covered by life insurance and received our money within a few days. As matters subsequently developed it is doubtful whether we would have received much of anything without the insurance as the estate proved to be insolvent."

It is surprising to learn how many of the Association's directors believe good insurance management on the part of debtor merchants is generally indicative of good business management.

Mr. E. B. Hutcheck of the Old National Bank & Union Trust Company, in Spokane, Washington, in this connection says, "There is no doubt that when a company gives careful attention to the administration of its insurance affairs it is an indication of sound management. It shows that the management is considering and guarding against contingencies rather than giving all of its time to the solution of immediately pressing problems which harass all busi-

nesses. It indicates a prudent management, the absence of which is frequently indicated by the neglect of insurance matters.

"It is difficult without resorting to example to express thoughts on this general subject unless the expressions themselves are generalities. We believe that every business should strive to convert an uncertainty into a certainty, and where it may develop unfavorably, to limit its development in that direction so far as possible. Insurance is designed to do that, and therefore we are strongly in favor of insurance in general, but realize that the scope and extent of the coverage in each case should be given careful study."

Mr. Howard S. Almy of the Collyer Insulated Wire Company, in Pawtucket, R. I., gives us the sidelights on his insurance ideas and experiences. "Only a few weeks ago I finished working on a case where business life insurance saved a bank the possible loss of \$25,000 and permitted creditors to be in a position to realize one hundred cents on the dollar promptly. It also facilitated the bank in securing a purchaser for the control of this small corporation. The business was capitalized for only \$25,000 and the bank had extended an average line of credit because a business life insurance policy had been written in favor of the business. When the principal officer died, this money automatically was brought into the business for creditors.

"We positively will not extend credit to any one who does not properly cover their stock and fixed assets with a proper amount of fire insurance.

"I have found that fidelity and dishonesty insurance has grown considerably since the stock market crash. I frequently come across cases where employees have embezzled funds and have even taken merchandise off the shelves sold it and pocketed the proceeds. I consider this particular phase of insurance to be as of much importance as life and fire coverage."

The reports received from the directors of the National Association of Credit Men were long enough to make a small volume. Only a very small part of these striking insurance stories and facts could be published in this symposium.

Insurance as a credit factor is growing steadily in importance. Within the past two or three years, business life insurance has made rapid strides as an indispensable element in credit administration.

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CONTRACTS. BUILDING. GUARANTY OF PAYMENT. STATUTE OF FRAUDS.

Appeal by defendants, A. Brody & Sons, Inc., from judgment in favor of two defendants. Defendant Buckley entered into a contract with the defendant A. Brody & Sons, Inc., to perform certain work on the premises of the latter, in making excavations, building walls and laying concrete floorings. Buckley, for necessary lumber supplied to the job, became indebted in a substantial sum to the defendant Westbury Lumber Co., Inc. Ben Brody, of the Brody firm, said to officers of the Westbury Company that if they "continued to deliver the balance of materials needed on that job he would guarantee payment." The Westbury Company seeks to recover the amount of the bill from the Brody company. *Held* that the promise, made orally, was not enforceable under the Statute of Frauds, since it was a special promise to answer for the debt, default or miscarriage of another person. The fact that the Westbury Company, in continuing its deliveries to Buckley, at the request of the Brody company, supplied a consideration for the latter's promise is not sufficient to make the statute inoperative. The judgment should be modified in accordance with this opinion and as modified affirmed. *Witschard vs. A. Brody & Sons, Inc., et al.* Ct. of Appeals. Decided July 15, 1931.

TRANSFER OF ASSETS FROM STATE TO FEDERAL COURT. (N. Y.)

Motion that an assignee for the benefit of the creditors, duly appointed by the State Court, turn over to this trustee all the assets, consisting entirely of cash collected by the assignee, and account to this Court. In other words to transfer the entire matter from the State Court to this Court.

Held that while this court has, and is powerless to surrender, exclusive jurisdiction to administer the estate of a bankrupt duly coming into its possession, nevertheless, in certain cases, there is a concurrent jurisdiction with the state court and this court may consent to certain proceedings in the State Court. Even this must

be refused if creditors complain. There is no good reason presented whatever why this particular estate is not being properly administered by the state court, or why this court can do any better. In view of the fact that there is not only no objection but the creditors desire it and that this assignment was made over nine months prior to this petition by the bankrupt in this court and the sole result will be simply to increase the expense of the distribution being duly had in the state court with a resultant loss to the creditors, of the amount to be deducted here, and with nothing else to gain, the motion should be denied and the assignee allowed to distribute in the state court, leaving all other questions such as whether or not such a bankrupt can be here discharged etc., to be decided in this court when the necessity therefor arises. *Matter of Gurfein.* U. S. Dist. Ct. E. Dist. of N. Y. Decided June 23, 1931.

BANKS. INSOLVENCY. DEPOSITOR. INDORSER OF NOTE. SET-OFF. (N. Y.)

The plaintiff bank, which, for the purposes of the submission is concededly insolvent, sues the defendant as indorser of a note made by Isidor Braveman, Inc. The defendant seeks to set-off against her liability as indorser a sum on deposit to her credit with the plaintiff. The maker of the note is conceded to be solvent. Were it not for the insolvency of the plaintiff, its counsel admits an absolute right of set-off in the defendant indorser. However, because of such insolvency, it is urged that an allowance of the set-off would result in an illegal preference. *Held* that the plaintiff's contention may not be sustained. This is an action at law brought by the insolvent plaintiff, not an equitable proceeding in which the indorser seeks affirmative relief for the allowance of the amount of her deposit as a credit against her indebtedness. In the latter case she would no doubt be charged with the burden of showing facts entitling her to equitable relief, one of which would be that she would be unable to reimburse herself because of the maker's insolvency. The right to set-off under the circumstances here disclosed must be allowed. Judgment for plaintiff less the sum of the set-off. *Bank of United States vs. Braveman.* N. Y. App. Div. 1st Dept. Decided June 25, 1931.

UNMATURED DEBTS. PREFERENTIAL PAYMENTS (N. J.)

Held that a payment made by a corporation of one of its unmatured debts, about a week before its being adjudicated insolvent, will not be ruled to have been made in violation of the statute, in the absence of proof that, at the time of its making, the corporation had suspended its ordinary business for want of funds to carry same on, or was insolvent or had made same in contemplation of insolvency. Decree dismissing the bill of complaint. *Glauberger v. Bergenline Trust Co.* N. J. Ct. in Chancery. Decided July 27, 1931.

ASSIGNED SALES AGREEMENTS AS COLLATERAL. VALIDITY (N. Y.)

Walter Furniture Company, prior to its bankruptcy, engaged in the business of selling furniture on the installment plan. Deferred installments of purchase money were secured through so-called leases, or conditional sales contracts, executed by the buyers, and delivered to the company. From time to time the bankrupt borrowed money from defendant, executing notes therefor, and assigning specified sales agreements as collateral security. With the exception of three of the months within the period extending from January 2, 1929, until July 12, 1929, the bankrupt collected a considerably greater sum from its customers than was remitted to defendant. These excess collections went into the bank account of the furniture company and were used to pay bills, employees' salaries and for other corporate expenses. At no time, by special deposit or otherwise, were they specifically allocated to the contracts that had been assigned to defendant. Payments on the sales contracts were collected by the bankrupt without supervision or interference from

the assignee. On July 26, 1929, a petition in bankruptcy was filed against Walter Furniture Company, Inc., and resulted in an adjudication. Plaintiff became trustee of the bankrupt on September 17, 1929. The assets in the hands of the trustee being wholly insufficient to pay the debts of creditors in existence at the time of the several assignments of installment contracts intended to serve as collateral for the borrowings received from defendant, the plaintiff asks for a decree declaring the pledges invalid, and which will return the same or their proceeds into the estate in bankruptcy; or that defendant account for such sums as were collected from the installment contracts, and which were not applied in payment of the notes held by defendant. *Held* that the record is devoid of proof that either the bankrupt or the defendant, in their dealings with each other, had any actual intent to hinder, delay or defraud creditors. The law of this State has been so changed by the enactment of Article 10 of the Debtor and Creditor Law, that it is now necessary, if a conveyance such as is before the Court is to be declared void, for creditors to establish the conveyance to have been tainted by actual fraud. The conveyance before the Court is valid. As to plaintiff's request for alternative relief, so far as is shown by this record, all the money received by the bankrupt went either to the defendant or to the payment of other creditors, or was used in the ordinary course of bankrupt's business. No finding or inference to the effect that the transaction was intended to hinder, delay or defraud creditors can, therefore, be made. No harm has come to the creditors represented by the trustee as a result of what has been done. Complaint dismissed. *Irving Trust Co. v. Finance Service Co.* U. S. Dist. Ct. So. Dist. of N. Y. Decided August 6, 1931.

CREDITOR'S SUIT. FOREIGN LETTERS OF CREDIT. SALES. TRUST RECEIPTS. NEGOTIABLE INSTRUMENTS. RECEIVERS. (N. Y.)

This is an appeal by a receiver of the defendants, the Munroe firm, from a decree entered upon petition of Olivier Corporation, the petitioner-appellee, directing Olivier to pay the appellant receiver the amounts of unpaid drafts drawn upon and accepted by John Munroe & Co. under irrevocable letters of credit issued at the petitioner's request in favor of merchants, from whom petitioner wished to purchase goods, and impressing the moneys so paid with a trust for the benefit of the holders of the respective drafts. The purchased merchandise was delivered to Olivier upon trust receipts given by the latter to the Munroe firm. The trust receipt provided that Olivier would hold the merchandise as the property of the Munroe firm until the acceptance of the draft given as the purchase money of said merchandise under the specific letter of credit, shall have been paid the Munroe firm, with liberty, however, to sell, all proceeds of sales "to apply (when paid) against the acceptance." It is the contention of the appellant receiver that John Munroe & Co. can collect from Olivier, by virtue of Olivier's agreement to furnish funds to "cover" the drafts and under the provisions of the trust receipt, the face value of the accepted drafts and can hold the sums so collected as general assets. The argument is that the importation of goods under an irrevocable letter of credit results in three distinct and independent contracts, which, in the case at bar, were the following: (a) the contract between Olivier and the exporter; (b) the contract between Olivier and the Munroe firm; and (c) the contract between the exporter and the Munroe firm evidenced by the letter of credit and the accepted draft, by which the exporter (or the holder of the draft) gets nothing but a right of action upon the negotiable instrument. From these premises this court is urged to reach the conclusion that neither principles of subrogation nor any other equitable principle can justify impressing a trust in favor of the draft-holders upon the sums due from Olivier to the receiver. The appellees challenge the premise that the exporter took the draft in absolute rather than conditional payment for his mer-

chandise. *Held* that the authorities favor the view that there is no presumption that the seller takes a draft drawn under a letter of credit in absolute payment of the buyer's obligation to pay for the merchandise; hence upon default by the bank upon its draft the seller may look to the buyer. Moreover, the appellant's contention that it can recover from Olivier the face amount of the accepted drafts although the appellant has refused to pay them, is directly contrary to *Leslie v. Bassett*, 129 N. Y. 523, and to the very recent opinion of Appellate Division in *Bank of United States v. Seltzer* (Reported July 8, 1931, in NY CCH, Page 1,140, Requisition No. 47536). Since the appellant is not entitled to collect from Olivier the face amount of the accepted drafts after repudiating payment of them, it cannot complain that the decree impresses a trust in favor of the respective draft-holders upon the sums to be paid by Olivier. Nor can it complain that it is required upon receipt of such payments to relinquish its trust receipts. Its title under the latter is but a security title. Olivier's payments will extinguish its indebtedness to the Munroe firm and entitle it to hold the merchandise free of any claim by the appellant. Decree for petitioner-appellee affirmed. *Greenough v. Munroe et al.* U.S.C.C.A. 2nd Cir. (N.Y.) Received August 29, 1931.

LANDLORD AND TENANT. FIXTURES. CHATTEL MORTGAGES. AFTER ACQUIRED PROPERTY. (N. Y.)

A lease was entered into between the landlord and the bankrupt company. This lease was recorded as a lease, but was not filed as a chattel mortgage. Subsequent to the making of the lease, the tenant installed machinery thereon. The receiver contends that all of this machinery and appliances are in the nature of trade fixtures. The landlord claims the right to hold the same as additional security for the lease, under the terms of the lease. *Held* that there was no absolute sale or gift of the personal property in question of the bankrupt to the landlord, but a gift for security and this was subject to defeasance and the right of the tenant to redeem and permitting title to reinvest in the tenant, and in effect operated as a chattel mortgage, and not having been filed as such in the proper office, as required by the Lien Law of the State of New York, is void as against the receiver or trustee. *Matter of American Cork Industries, Inc.* (U. S. Dist. Ct. E. Dist. of N. Y., Aug. 6, 1931.)

BANKRUPTCY. TURNOVER PROCEEDING. EVIDENCE.

Motion for an order directing Saul Kirschner, the assignee for the benefit of creditors of Manhattan Food Specialty Co., Inc., to turn over to the trustee of the American Dry Corporation the sum of \$900., or whatever funds the said assignee may be possessed of belonging to the Manhattan Food Specialty Co., Inc., on account of the turnover order signed by Judge Byers, June 11, 1931. On December 5, 1930, the said Manhattan Food Specialty Co., Inc., made a general assignment for the benefit of creditors to one Saul Kirschner, who accepted and qualified but was never substituted in the turnover proceedings in place of the Manhattan Food Specialty Co., Inc., and it is against him as such assignee that the court is now asked to make a turnover order. *Held* that the assignee did not receive the specific property which the trustee seeks to have turned over, and there is no evidence that the assignee received any of the proceeds of that property. A finding having been made that the Manhattan Food Specialty Co., Inc., had possession of the specific property, there was a presumption that it continued in possession, but there is no such presumption as to the assignee for the benefit of creditors, and this court would have jurisdiction over him only on proof being made that he received the property or the proceeds thereof. This court cannot fix his compensation as that is a function of the State Court. The trustee has the right and should apply to the State Court having jurisdiction over the assignee for the pay-

ment of his claim. The trustee, also, has his rights against the Manhattan Specialty Co., Inc., and its officers. Motion denied. *Matter of American Dry Corporation.* U. S. Dist. Ct. East. Dist. of N. Y. Decided August 24, 1931.

CONDITIONAL SALES. FIXTURES. REFRIGERATING MACHINES. REAL ESTATE MORTGAGE. (MASS.)

The plaintiff's declaration alleges that the defendant converted to its own use refrigerating machines. The refrigerating equipment was installed in premises of which the defendant was the mortgagee. The equipment was sold on a conditional sales contract to the owner, the installation to be performed by the vendor, the title and ownership to remain in the vendor until paid. The purchase price has not been paid. The vendor assigned the conditional sales contract to the plaintiff on August 29, 1929. The landowner mortgaged the real estate to the defendant. The mortgage was dated and recorded February 12, 1929. The mortgagee entered to foreclose for breach of conditions on November 7, 1929. A construction loan agreement accompanied the mortgage. It was specified in the loan agreement that a payment should be made when electric refrigeration was installed. The full principal sum has been advanced by the mortgagee. There was testimony that refrigeration equipment is economically essential in a building of the type in question, that apartments without such equipment are not readily rentable. The trial judge ruled that the property described in the plaintiff's declaration was placed in the buildings by the plaintiff's assignor for the purpose of providing for the tenants a permanent system of refrigeration and it became a part of the realty. *Held* that the question whether such equipment as that here considered belongs to the real estate or is personal property is usually a mixed question of law and fact. The mode of annexation, the object and effect of the installation, the nature of the articles as well as the intention of the parties as shown by their acts, are to be considered. Whatever is placed in a building subject to a mortgage, by a mortgagor or those claiming under him, to carry out the purpose for which it was erected, and permanently to increase its value for occupation or use, although it may be removed without injury to itself or the building, becomes part of the realty, as between mortgagor and mortgagee, and cannot be removed or otherwise disposed of while the mortgage is in force. The purpose of the mortgagor, as found by the trial judge, in place of the equipment in the buildings, was permanently to increase their value and to supply a lasting system of refrigeration. The equipment was adapted for permanent retention. Judgment for defendant. *Commercial Credit Corp. v. Commonwealth Mortgage & Loan Co., Inc.* Mass. Supreme Ct. Decided July 14, 1931.

RECEIVERSHIP. CONDITIONAL SALES. CONTRACT AS SECURITY FOR MONEYS OTHER THAN PURCHASE PRICE. (PENNA.)

This is an equity receivership case. The defendant bought of the Bucyrus-Erie Company on conditional sales contracts, three machines, on which a balance of purchase money is due. The defendant is also indebted to the Bucyrus-Erie Company on open account for repairs to these machines, as well as other claims. It is contended that this open account is also subject to payment by the defendant under the terms of the conditional sales contracts before title can pass to the receiver of the defendant, in whose possession these machines now are. *Held*, that the Pennsylvania Conditional Sales Act of May 12, 1925, P. L. 603, contains no authority to secure by conditional sale contract, the payment of other moneys than the purchase price of the chattel involved. To hold otherwise would be in effect, to convert a conditional sale contract into a chattel mortgage, something that the Legislature of Pennsylvania had no intention of doing. The court further has in mind, that chattel mortgages are not looked upon with

favor in Pennsylvania, and that any act purporting to give a lien on personal property for moneys due, or to become due, ought to be strictly construed. Moreover, the court is not dealing with the parties to the original contract. An equity receiver in Pennsylvania has the rights of a levying creditor which transcend those of a chattel mortgage. Let an order be drawn authorizing the payment by the receiver of the balance of the purchase money only. *Foley v. T. J. Foley Co.* U. S. Dist. Ct. W. Dist. of Penna.

washington notes

SALES OUTLET SURVEY

Interesting comparisons between the shares of the national retail business enjoyed by principal trade groups, and the relative number of sales outlets in each have been made.

The retail food group requires 32.13 per cent of all the country's retail stores to produce 22.61 per cent of the aggregate dollar volume of business. The general merchandise group, on the other hand, does 14.27 per cent of the national retail trade through as few as 4.54 per cent of all retail stores. In the automotive group, 19.08 per cent of the retail volume passes through 16.35 per cent of all outlets.

COMMERCE PUBLICATIONS LISTED

The Marketing Service Division has just revised its list of publications on domestic trade, issued by the Bureau of Foreign and Domestic Commerce, the National Bureau of Standards, and the Bureau of the Census.

It includes distribution cost studies, credit survey releases, and publications of interest to wholesale and retail trade; regional surveys, and special studies of community advertising, market research agencies, trade association activities, etc. This list also includes publications in the field of commercial laws, chemicals, electrical goods, lumber, foodstuffs, machinery, motion pictures, rubber, radio and the publications issued by the National Committee on Wood Utilization; textiles, transportation, warehouses, and general market studies and miscellaneous statistical research; and the Survey of Current Business.

This list of publications on domestic trade, many of which are free upon request, is available without charge from the Marketing Service Division of the Department of Commerce.

WORKERS CENSUS RELEASED

Half the people in the United States, ten years old and over, are persons usually working at gainful occupations, according to a report just released by the Bureau of the Census. Of all the people in the United States, including children under ten years of age, approximately two out of five were classified as gainful workers, according to *Domestic Commerce*, published by the U. S. Department of Commerce.

Of the whole number of gainful workers, 38,053,795, or nearly four out of five, were males, constituting 76.2 per cent of the male population ten years old and over. The 10,778,794 female gainful workers formed 22.1 per cent of the female population ten years old and over, or 17.8 per cent of the total female population.

Significantly the percentage of the male population ten years of age and over gainfully employed in 1930 (76.2) was lower than the percentage in 1920 (78.2), which in turn was lower than the percentage in 1910 or 1900. On the other hand, the percentage of the female population ten years old and over gainfully employed in 1930 (22.1) was materially higher than the percentage in 1930 (21.1) and decidedly higher than the percentage in 1900 (18.8). The Census Bureau points out that the figures for female workers shown for 1910 are not strictly comparable with the data for the other years, mainly because of the inclusion of relatively larger numbers of females as farm workers.

credit calculus

(Continued from page 13)

Rank	Final Grade Co.	Value
1	B	7
2	A	8
3	C	15

The value under the Final Grade column was found by adding together the two products of the weights times the Rank. In the above, consistency of performance, measured by the standard deviation, is given more weight than the level of performance, measured by the average. The weights used in combining these results depend on the characteristic under discussion. Company B has the most consistent weekly collection values, while Company A has collected the largest amounts weekly on the average. Another measure often used, where there is a great difference between the levels of the different companies, is the ratio between the standard deviation and the average (s/M), known as the coefficient of variation. Many authors multiply by 100 which expresses the result in per cent., deducting it symbolically by \sqrt{x} . Using this measure, the companies are graded as follows:

Rank	Company	Coefficient of Variation Value
1	B	.100
2	A	.165
3	C	.285

We will next determine whether any company is significantly different from the group as a whole. Using the information in Table 3 and testing the average values first, we will use as our test criterion, if $t = |M - M_1| \sqrt{n/S_1}$ is greater than 3.0 for any of the three average values (M), that particular M is said to be significantly different than the group average. (We use absolute value symbols, $||$, in $M - M_1$ to indicate the absolute difference between the average values, disregarding the fact that such a difference may be negative.) Thus for the three average values: $t_A = (35-29) \sqrt{25/4.92} = 6.1$; $t_B = (29-29) \sqrt{25/4.92} = 0$; $t_C = (29-23) \sqrt{25/4.92} = 6.1$; so that we know that Companies A and C are significantly different from the group average and hence for this case all three companies are significantly different from each other with respect to the average level of weekly collections.

The test criterion for the standard deviation is that a significant difference is said to exist if $t = |s - S_1| \sqrt{2n/S_1}$ is

greater than 3.0. Thus for the standard deviation values: $t_A = (5.77-4.92) \sqrt{50/4.92} = 1.2$; $t_B = (4.92-2.89) \sqrt{50/4.92} = 2.09$; $t_C = (6.56-4.92) \sqrt{50/4.92} = 2.3$. No significant difference exists with respect to variability.

We will next determine whether any of the weekly collection values are significantly different to warrant taking action and also determine the range of variation within which no action shall be taken. This latter range is different for each company and is equal to the average plus and minus three times the standard deviation, $R = (M + 3s) - (M - 3s)$. Since we found the levels significantly different, we must use different average values for each company, but will use $s = 4.92$ since the standard deviations were not significantly different. The limiting ranges for the weekly collection values are:

Company	Range of Values
A	20.24—49.76
B	14.24—43.76
C	8.24—37.76

The only value which should be investigated is the 8 value for Company C for the eighth week. Having found the cause of this low value, the cause should be eliminated if possible. These expected ranges of variation will cause the credit manager to hunt for a cause of difference when one does not exist less than 1% of the time.

The steps used above in the analysis may be summarized as follows:

(1) Collect sufficient accurate data over a consecutive period of time (preferably more than 25 observations per sub-group) and tabulate in the order in which the observations were obtained.

(2) Determine the simple average by adding the observed values for a single group and dividing by the number of observations in that group.

(3) Determine the range between the maximum and minimum observations in a group by taking the difference between these two values.

(4) Compute the standard deviation by dividing the difference between the maximum and minimum observations by the suitable constant for the number of observations involved as recorded in Table 2. Expected group standard deviation determined from average range, divided by constant in column 3 of Table 2.

(5) Determine the overall average and the standard deviation for the industry as a whole by treating all the data in accordance with steps (2), (3) and (4) above.

(6) Test for significant difference between each sub-group and the group as a whole with respect to average and standard deviation by taking the absolute difference between each sub-group and the entire group, multiplying the difference (1) for averages by the square root of the number of observations in the sub-group and (2) for standard deviations by the square root of twice the number of observations in the sub-group, dividing each result by the expected standard deviation for the group, and determining whether the value of t thus found is greater than 3.0.

(7) Establish expected ranges for variation for single observations for each sub-group by subtracting and adding three times the expected standard deviation for the group to the expected level for each sub-group, and see if any individual values in a sub-group are outside its limiting values.

(8) Grade the industry as a whole with respect to level and consistency of performance by tabulating in descending or ascending order average values, using Rank 1 for value indicating the best performance and Rank 1 for the smallest standard deviation value. A combined grade may be found by applying weights to the two statistics and finding sum of weights times rank for each company, or the coefficient of variation (the observed standard deviation divided by the observed average) may be used by tabulating the smallest value opposite Rank 1.

If these steps are followed carefully, it is possible to measure the relative position of any business with respect to the industry of which it is a part for any common characteristic. It is also possible to use this method in determining when any corrective action should be taken by establishing expected ranges of variation. The suggested range was based on the assumption that the credit manager would not want to look for causes of variations and not find them more than 1% of the time. If a range of two times the standard deviation is taken about the expected level the credit manager will not look for causes of variation and not find them more than 5% of the time. Thus it is possible to modify these methods according to the chances one wishes to take. The method as outlined makes it possible to use modern statistical tools with a minimum amount of effort, analyzing past performance to determine future expectancies.



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Is
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UNITED HOTELS

push-pull distribution

(Continued from page 47)

brought so many national brands into disfavor with the distributors. We do not expect either the jobber or the retailer to take over the work formerly done by our own specialty sales staff.

"The response to our plan has been generally good. Naturally, some jobbers have given us only fair or even poor results. Naturally, also, we eliminate from our preferred list any jobbers who won't play the game.

"Our sales have shown a good response to the plan. We introduced it in August but did not get it well under way until October. The result has been that October, November, December, January and February each showed an increase in volume over the preceeding year. In view of the general business conditions, we believe that this indicates that we are on the right track."

The re-emergence of the wholesaler and retailer is a development that we should be thankful for as citizens. The pure economist may complain that it should all be a matter of efficiency and price. Such thought is open to sharp challenge unless we are to overhaul and reverse all of our established social and political ideas.

A successful democracy presupposes a vast citizenship of the solid, substantial middle class. The wholesaler and retailer system of distribution—and manufacture, if necessary—achieve this result socially. Not less than 25,000,000 of our total population, scattered here, there and everywhere, depend upon distribution for their livelihoods. A democracy also assumes that the fit may and do come to the top. Eugenically, then, the wholesaler and retailer meet the test also because they exist and persist solely by their own individual merit.

Feiker outlines economic program

A program of immediate action in economic planning for business stimulation and eventual stabilization was outlined by Frederick W. Feiker, Director of the Bureau of Foreign and Domestic Commerce at the annual meeting of American Trade Association Executives in Asheville, N. C., recently. Director Feiker sees the trade associ-

ation as the essential unit in business stabilization, says *Domestic Commerce*.

"The modern trade association has before it both a preemptory challenge and an inescapable public duty to provide the machinery whereby its members may be able to reconcile production and consumption with greater precision than ever before," he said. "In my opinion, a new type of trade organization is on the horizon. Basically that new association is an economic planning unit for the industry and trade * * * a great opportunity faces the organized trade groups at the present time in divorcing themselves from purely legalistic relationship to the problems of business development, and establishing themselves on the platform of a solution of economic problems."

American trade association executives, who are leaders in group activities in practically every trade and industry, were invited by Mr. Feiker to work with the Department of Commerce in accomplishing four practical purposes:

First, the setting up of the objectives of economic planning;

Second, the alignment of present activities so that they fit into such a program of economic planning, and so that their larger purpose is not lost because their inter-relation is not understood.

Third, the projection of the individual trade association or group organization unit as a part of a program of education to the members of our combined business organizations in the forwarding of the scientific approach to the problems of production and distribution.

Fourth, the setting up of such elements of fact finding and statistical control as will enable business men intelligently to administer the policies of the groups and of their individual companies.

"During the next few months we anticipate in the Department of Commerce establishing helpful aids to group organizations seeking to perfect themselves in economic planning," Mr. Feiker said. "I anticipate in these coming months the opportunity . . . to evolve with you the new objectives of the trade association movement, and to perfect with you the type of organization which I believe must come if we are successful to find in the trade association the machinery for the stabilization and the stimulation of business."

Mr. Feiker emphasized the fact that a most practical angle to a stabilization program is the emergence of the idea of the deeper significance of commercial research in its relation to American industry and trade.